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DOMINION OF CANADA

REPORT
of the
WARTIME PRICES
AND
TRADE BOARD

January 1, 1946

to

December 31, 1946

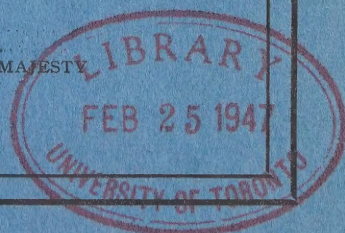
including important developments

up to

February 1, 1947



OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1947



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Canada - Wartime Prices and Trade Board

(DOMINION OF CANADA)

[51]

REPORT

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**REPORT
OF THE
WARTIME PRICES AND TRADE BOARD**

JANUARY 1, 1946 to DECEMBER 31, 1946

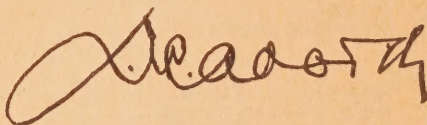
INCLUDING IMPORTANT DEVELOPMENTS UP TO FEBRUARY 1, 1947

*To His Excellency Field Marshal The Right Honourable Viscount Alexander of Tunis,
K.G., G.C.B., G.C.M.G., C.S.I., D.S.O., M.C., L.L.D., A.D.C., Governor General
and Commander-in-Chief of the Dominion of Canada.*

MAY IT PLEASE YOUR EXCELLENCY:

The undersigned has the honour to forward to Your Excellency the report of the Chairman of the Wartime Prices and Trade Board on the activities of the Board for the year ending December 31, 1946, and including important developments up to February 1, 1947. This is the fifth report of the Board, which was established on September 3, 1939.

All of which is respectfully submitted.



Minister of Finance.

OTTAWA, February 15, 1947.

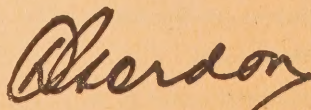
To the Honourable D. C. ABBOTT,
Minister of Finance,
Ottawa, Canada.

SIR:

I have the honour to submit a report of the activities of the Wartime Prices and Trade Board from January 1, 1946, to December 31, 1946. In view of the changes following the end of the year the important developments up to February 1, 1947, have been included.

I have the honour to be, Sir,

Your obedient servant,



Chairman.

OTTAWA, February 8, 1947.

TABLE OF CONTENTS

	PAGE
I. GENERAL REVIEW.....	5
A. Prices: Progress of Readjustment and Decontrol.....	6
B. Improvement in Civilian Supplies.....	8
II. PRICE POLICY AND PROCEDURE.....	9
A. Domestic Pricing Procedure.....	11
B. Import Pricing.....	12
C. Subsidies.....	13
D. Price Decontrol.....	15
III. FOODS.....	16
A. Meats.....	17
B. Poultry and Eggs.....	18
C. Fish and Fish Products.....	18
D. Dairy Products.....	19
E. Cereals and Cereal Products.....	20
F. Fresh Fruits and Vegetables.....	21
G. Dried Fruits and Vegetables.....	22
H. Canned Fruits and Vegetables.....	22
I. Sugar.....	23
J. Oils and Pots.....	23
K. Beverages.....	24
IV. FARM EQUIPMENT SUPPLIES.....	24
A. Farm Machinery.....	25
B. Feeds.....	27
C. Containers.....	27
D. Other Farm Supplies.....	28
V. TEXTILES.....	29
A. Wool Yarns and Fabrics.....	30
B. Rayon Yarns and Fabrics.....	30
C. Cotton Yarns and Fabrics.....	31
D. Garments.....	31
E. Price Problems and Subsidies.....	33
VI. HIDES AND LEATHER.....	35
VII. PULP AND PAPER.....	36
A. Prices.....	37
B. Newsprint and Pulpwood—Supplies and Distribution.....	37
C. Other Paper Controls.....	38
VIII. LUMBER AND CONSTRUCTION PRODUCTS.....	38
A. Lumber.....	39
B. Other Construction Products.....	40
IX. METALS.....	41
A. Iron and Steel.....	41
B. Non-Ferrous Metals.....	43
X. DURABLE GOODS.....	43
A. Metal Consumer Goods.....	44
B. Furniture.....	45
C. Motor Vehicles.....	46
XI. FUELS.....	46
A. Coal.....	47
B. Petroleum Products.....	48
C. Wood Fuel.....	48
XII. RENTALS AND SHELTER.....	48
XIII. ENFORCEMENT.....	51
XIV. BOARD ORGANIZATION.....	53
XV. PRICE MOVEMENTS—August 1939 to December 1946.....	54
A. General Review.....	54
B. Wholesale Price Changes.....	55
C. Cost of Living Changes.....	57

TABLE OF CONTENTS—Continued

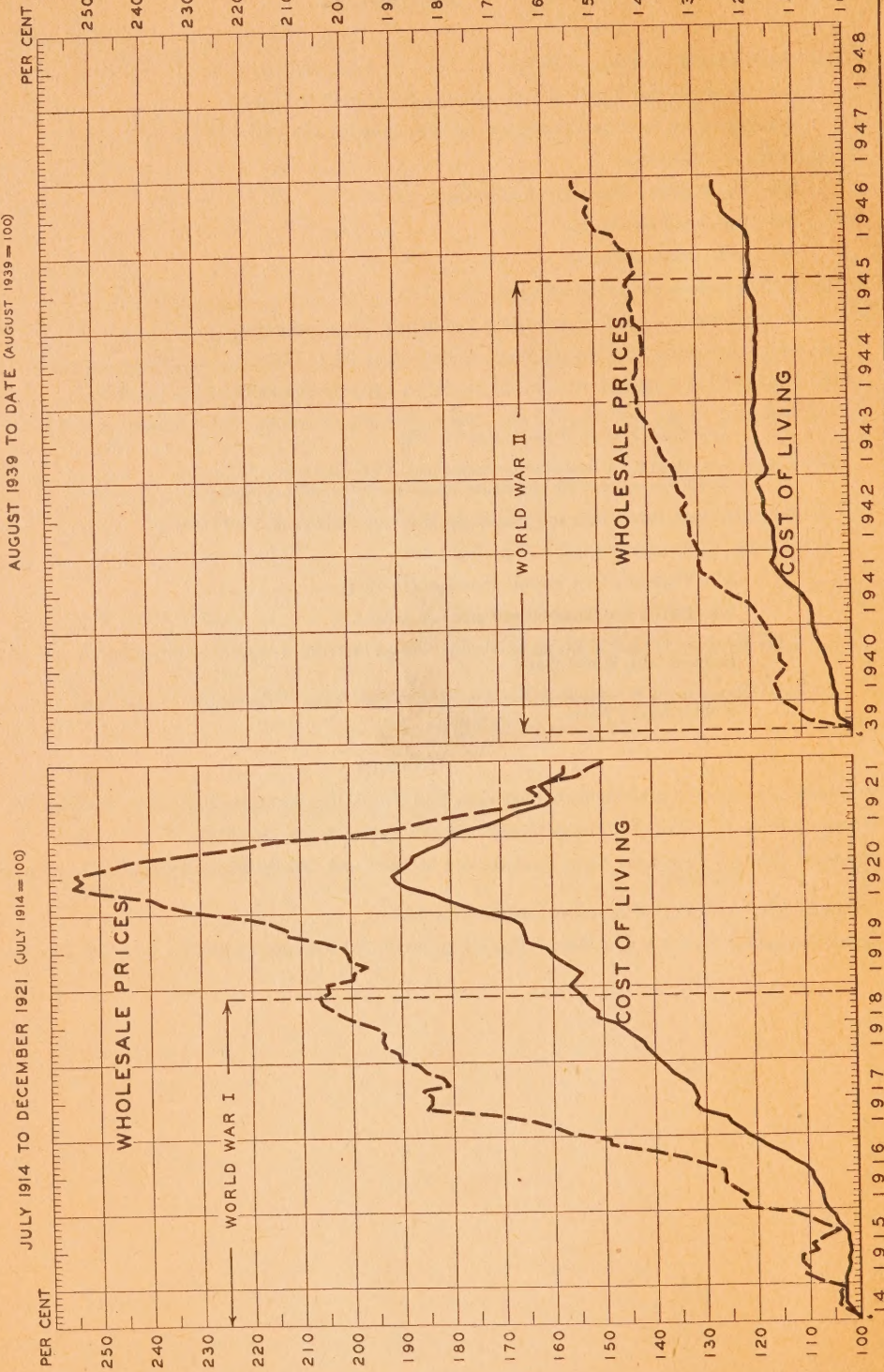
APPENDICES

	PAGE
A—Statements of Government Policy.....	61
A-1—Economic and Financial Policy by the Rt. Hon. J. L. Ilsley.....	61
A-2—Statement on Price Control by the Hon. Douglas Abbott.....	67
B—Directory of Officials.....	70
B-1—The Wartime Prices and Trade Board.....	70
B-2—Associated Companies.....	70
B-3—Head Office Divisions.....	70
C—Co-Ordinations and Administrations.....	71
D—Regional and Local Offices and Prices and Supply Representatives.....	72
E—Orders-in-Council affecting the Wartime Prices and Trade Board.....	72
F—Statements of Administrative Policy Issued by the Wartime Prices and Trade Board.....	74
G—Summary of the Operations of the Commodity Prices Stabilization Corporation Limited from December 1, 1941 to December 31, 1946.....	74
H—Summary of the Operations of other Associated Companies from December 1, 1941, to December 31, 1946, as shown by the financial statement of each company.....	84
I—Estimated and Actual Expenditures of the Wartime Prices and Trade Board.....	85
J—Changes in Customs Valuation, Duties and Taxes.....	85
J-1—Valuation for Customs Purposes Modified.....	85
J-2—Duties and Taxes Modified or Remitted.....	86
K—Index Numbers of Cost of Living in Canada During the Last Year of Hostilities and into the After- math of Two World Wars.....	91
L—Index Numbers of Wholesale Prices During the Last Year of Hostilities and into the Aftermath of Two World Wars.....	92

CHARTS

Wholesale Prices and Cost of Living in Canada in Two World Wars and Immediate Post-War Periods....	4
Wholesale Prices and Cost of Living in Canada and the United States, 1939-1946.....	10
Wholesale Prices of Canadian Farm Products and of Fully and Chiefly Manufactured Goods in Canada, 1890-1946.....	26
Wholesale Prices and Cost of Living in Canada, 1914-1946.....	56
Components of the Cost of Living Index in Canada in Two World Wars and Immediate Post-War Periods....	58-59

WHOLESALE PRICES AND COST OF LIVING IN CANADA



I GENERAL REVIEW

During the past year, substantial progress was made in the program of gradual and controlled readjustment to post-war conditions. In line with the policy stated by the Prime Minister early in 1946, the stabilization program moved into its second and final stage of orderly decontrol.

The first stage of that program was over, and its primary objective had been accomplished. During the war a high degree of economic stability had been maintained and this had contributed in no small measure to the effectiveness of Canada's war effort. Inflationary forces had been controlled and there was no soaring price level to create unrest and to sap efficiency and morale on the home front. The comparative stability of prices had also reduced the financial costs of the war and had saved large further additions to the already heavy war debt.

The objective during the second stage was to facilitate an orderly readjustment of the Canadian economy to post-war conditions, to prevent the inflationary forces which were still present as a result of the war from creating disruption and from impeding and delaying the attainment of a sustained and high level of peace-time activity. As the Minister of Finance stated recently* "the goal of the Government's stabilization policy has always been and still is to preserve orderly conditions with a view to cutting off the disrupting peak in post-war prices and to avoiding or at least greatly lessening the drop which inevitably follows".

During the wartime period of price control the aim was to hold firmly to the ceiling price line. So long as a high proportion of the national production and effort was being directed toward the prosecution of the war, there was no possibility of any reduction in the inflationary pressures. The threat of cumulative and uncontrolled inflation was always imminent. Every feasible effort had to be taken to stop price increases at the source in order to prevent cumulating advances in prices and costs from destroying economic stability. Thus a rigorous policy of price control was followed and, when relief from the pressure of higher

costs was essential, subsidies were frequently paid to prevent price advances.

The post-war period brought a fundamental change in the approach to price control. The policy of strict stability gave way to one of orderly readjustment. Prices and related controls were temporary measures and had to be relaxed and removed just as promptly as the emergency conditions which brought them into being were alleviated and corrected. In an economy swinging over to highly varied peacetime activities, the rigid wartime standards of control were replaced by more flexible methods. The use of subsidies on an expanding scale to offset the effects of higher costs on the price level would have been quite inconsistent with the objective of ultimate decontrol and, accordingly, the process was reversed and existing subsidies were gradually reduced and eliminated. In returning to a free price structure and in re-establishing the peacetime flow of external trade, growing recognition had to be given to the effects of higher costs at home and higher prices abroad. While the continuing threat of disorderly price advances was vigorously combatted, it was no part of the emergency program to seek to avoid the realities of higher costs by expanding or unduly prolonging economic controls which were temporary in their objectives and in the powers on which they were based.

As Government statements have emphasized, the task of orderly readjustment is essentially one of timing. At the one extreme is the danger of removing controls too quickly and of slipping into a violent post-war boom in prices. At the other, is the risk of adhering to a rigid and overly cautious policy lacking the flexibility essential to a healthy and expanding volume of peacetime production and trade and through its very rigidity in the face of changing circumstances, leading to its breakdown. Each problem of prices and subsidies not only has to be considered on its own merits but as part of the broad pattern of readjustment. Subsidy removal must be timed both in relation to the outlook for the commodity concerned and in relation to the effect on the general price structure. Decontrol of

*Statement on Price Control by Hon. Douglas Abbott, January 11, 1947, reprinted in Appendix A-2.

prices must similarly be timed both in relation to the position of the particular goods and groups of goods concerned and in relation to the broad economic outlook. Timing is a matter of judgment on which there is room for a variety of opinions. Thus the process of orderly readjustment is in many ways more difficult and more subject to divergent views and pressures than the comparatively simple wartime concept of holding to a line. Simplicity of concept is inevitably replaced by a weighing of divergent considerations and objectives which may lead to one conclusion in a particular set of circumstances and a quite different conclusion when conditions have changed. Since, in the readjustment from war to peace, conditions are changing rapidly, inconsistencies cannot be entirely avoided and the advantages of a clear-cut and readily understood program are no longer obtainable.

The developments of the past year seriously complicated the problem of timing. Industrial disputes in the United States and Canada retarded the expansion of production in many directions, accentuating or prolonging shortages of basic materials, components, and finished goods. Shortages of imported materials and urgent external demands for many Canadian products limited domestic supplies. Controlled readjustment of the price structure in the United States came to an end in the middle of the year and was followed by sharp price increases and a growing degree of market uncertainty. But though there were many disturbing developments, the year was marked by substantial progress in expanding peacetime production and the job of reconversion was practically finished. Though the improvement in supplies was below expectations, the gap between the heavy demand and the flow of supplies was nevertheless narrowed in most fields and even removed in some. Moreover, toward the end of the year, the expansion in output gained momentum and the price boom in external markets showed some indications of passing its peak.

In these circumstances, which in many respects were strikingly reminiscent of the situation after the first world war, Canada did succeed in preserving orderly conditions and in preventing the sort of violent upsurge in prices which occurred in many other countries. While the price level did increase during the year, the

advance was gradual and of comparatively moderate proportions. From the end of the war—in August 1945—to the close of 1946, the general level of wholesale prices rose by about 8 per cent and the cost of living index advanced by less than 6 per cent. In the United States, during the same period, wholesale prices rose by 32 per cent and the cost of living by 19 per cent. Up to June, 1946, price trends in the two countries had been quite similar but they diverged sharply following the abandonment of controls in the United States.

A. PRICES: PROGRESS OF READJUSTMENT AND DECONTROL

Although decontrol was delayed by the unfavourable developments of the past year, substantial progress has been made in removing and relaxing emergency controls and in the readjustment of prices to post-war conditions. Up to the end of 1945, the principal steps in decontrol had been the removal of regulations restricting production and the introduction of somewhat more flexibility in the application of price control. Some subsidies had been removed but the major subsidies, apart from petroleum, were still fully in effect and the liability for subsidy payments covered a wide field and was potentially very heavy.

From the beginning of 1946 to early in 1947, many subsidies were eliminated, some were sharply reduced, and the field in which subsidy payments were applicable was narrowed down to a very limited number of basic items. The pattern of subsidy removal was notably affected by general economic developments which at times postponed action to reduce subsidies and even involved the authorization of new subsidy arrangements. Early in 1946, the scope of import subsidies was curtailed and the first step was taken toward reducing the very important subsidy on cotton. At the beginning of June, the subsidy reducing the consumer price of milk by 2 cents per quart was removed and the termination of the milk subsidy to producers was announced to take effect at the end of September. Further steps in reducing and removing subsidies had been planned for the latter half of the year but abandonment of price control in the United States, rising prices for many commodities in world markets, and acute shortages resulting from industrial dis-

putes postponed such steps until the beginning of 1947. While the Government's action in restoring the Canadian dollar to parity reduced the impact of higher external prices on Canada, the advances in prices in the United States and elsewhere were such as to involve higher subsidy payments for such major imported commodities as cotton, vegetable oils and coal. Moreover, the acute shortage of steel which was in large part the reflection of industrial disputes on both sides of the international boundary, necessitated special subsidies designed to sustain output and conserve Canadian supply. It was not until the beginning of 1947, when industrial production was expanding rapidly and when external prices showed indications of passing their peaks that the next steps were taken in the program of subsidy removal. These were important steps, sharply reducing the subsidies on cotton, eliminating those on woollens and worsteds, reducing the trading losses on vegetable oils and coffee and generally narrowing the field of import subsidies still further.

In addition to the price increases resulting from subsidy reduction, price control had, during the past year, to give increasing recognition to the effects of other advances in costs. So far as imported goods were concerned, a system of pricing based on laid-down costs plus a restricted mark-up was adopted early in the year for goods from a group of countries which had suffered heavy war losses and dislocation. This system was made applicable in July, 1946, to a wide range of goods from all countries with the result that most imports with the exception of subsidized goods and a few others items were priced in a manner which recognized the increase in their costs. In the domestic field, many price adjustments were required because of the accumulation of higher costs in the later stages of the war, the effects of which had been partly and temporarily offset by the large volume of war contracts, and because of rising labour and material costs. Increased labour costs were of importance in almost every price adjustment during the year, apart from those resulting directly from the reduction of subsidies. The financial position of the industries or firms concerned continued to be the main criterion in considering price adjustments. But as readjustment proceeded, other considerations which had

previously been admitted to only a minor degree were necessarily given more weight. There was a somewhat larger element of "incentive pricing" and more attention was given to the differentials between domestic ceilings and export prices in the case of major export commodities. When industry price adjustments were made, the increases were sometimes arranged in a manner calculated to give a special incentive to the production of particular items or lines. In some cases, principally farm products and building materials, price increases were permitted for the purpose of encouraging larger output of needed products. In the case of such important export commodities as pulp and base metals, consideration was given to the fact that domestic prices were much below export prices as well as to the financial position of the producers concerned. When it appeared likely that export prices would continue indefinitely at levels well above domestic ceilings some recognition of this situation became a necessary part of the program of readjustment.

The paring-down of subsidies and the gradual readjustment of prices to the economic realities of the post-war were all steps in the direction of the ultimate removal of price controls. At the same time, considerable progress was made in narrowing the area of price control. Early in 1946, a number of relatively unimportant items were released from the application of the price ceiling. This was a cautious first step toward decontrol and its results were such as to justify further limited steps of the same kind. In the spring, capital equipment was also removed from the provisions of ceiling prices. In July, at the time of the return of the exchange rate to par, a basic change was made in the application of price control. The overall approach was abandoned in favour of a selective though still very wide coverage. Thus, the system of announcing lists of items released from price control was superseded by one which listed all the items remaining subject to control. The list of goods and services still under price ceilings which was announced at that time was a very substantial one containing almost all the items of significance in family expenditures and many others in addition. Nevertheless, the change in method did result in the release of a large number of

miscellaneous and relatively unimportant items. No further steps in removing price ceilings were taken until January, 1947, when the list of goods and services subject to price ceilings was reduced very considerably. Most of the important foods, practically all clothing, the main fuels, and rentals, as well as a variety of basic materials and farm supplies remained under control.

B. IMPROVEMENT IN CIVILIAN SUPPLIES

The progress of decontrol in the sphere of prices was, of course, closely related to changes in production and supplies. During the year, there was a notable increase in the total supply of peacetime goods. The quantity of goods and services consumed or used by Canadians was undoubtedly much higher than ever before. As an indication of the improvement, the volume of retail sales in 1946 was some 14 per cent greater than in 1945 and approximately 50 per cent in excess of the volume of sales in 1939 or in 1929.

At the same time, there were many shortages, some of them severe, and many supply difficulties. While in most cases the situation had improved notably by the end of the year, progress toward a higher level of production and domestic supply was frequently interrupted and delayed. There were a number of reasons for this. One was the world-wide shortage of most basic materials and foodstuffs. Export demands for the great Canadian staples were extraordinarily large and urgent; in some cases, such as meat, so urgent as to involve the limitation of domestic consumption in an effort to maintain export shipments. Export demands were generally accentuated by the high rate of expenditure in the United States, and in a good many cases the potential drain on needed domestic supplies necessitated continued control of exports. World-wide shortages also restricted imports of many goods and particularly of such basic commodities as sugar, vegetable oils, tin, rubber, and cotton yarns and fabrics. Another major reason behind the supply difficulties of the past year was the series of industrial disputes both in the United States and Canada. Supplies of steel and coal were particularly affected and it was necessary to reimpose emergency controls over both these vital commodities. Output of auto-

mobiles, home appliances, metal building materials and other durable goods was delayed and interrupted until toward the end of the year. Meanwhile, demand fortified by a high level of income and by the accumulation of deferred requirements and of wartime savings pressed against inadequate supplies and produced marked shortages even in the case of some goods which were available in much larger quantities than prior to the war.

The pressure of heavy accumulated needs was most apparent in the sphere of housing and while the rate of building was high by any past standard it was quite inadequate to meet requirements. Deferred industrial and commercial construction added further to the demand for building materials and skilled labour, and while there was a marked increase in the output of most building supplies over the year production was still far from adequate. Demand for automobiles, household appliances and other consumer durable goods was far in excess of supplies, though in most cases there were good prospects that shortages would be eased in the comparatively near future. Though production of such goods had been seriously retarded during much of the year, a marked expansion to levels generally well above the pre-war rates of output occurred during the last quarter.

Supplies of clothing and household textiles also improved but the expansion was restricted by the effects of industrial disputes and by the difficulties of obtaining sufficient quantities of imported yarns and fabrics. In many lines supplies were catching up to the high demand by the end of the year but in some, shortages still persisted. Output of boots and shoes increased and was generally sufficient to meet demands. Furniture production was also larger though the supply of some lines was not adequate. Output of pulp and paper products was at record levels but demands, both export and domestic, were very heavy and shortages of some paper products continued.

While Canada had the good fortune to harvest above-average crops, output of hogs, butter and cheese declined and export and domestic demands remained extremely heavy. In addition, the supplies of certain imported foodstuffs were far from sufficient. Thus, though there was some increase in the total quantity of food in Canada, it was still necessary

to retain rationing of meat, butter, and sugar.

A good deal of progress was made in removing and relaxing other supply and distribution controls. In the realm of foods, the emergency restriction on the use of wheat for domestic milling was rescinded in the late summer, the priority system for the distribution of canned goods was terminated in most cases, and canned fruits were released from rationing. In the sphere of textiles, the system of production directives with its supporting allocation and distribution controls was somewhat relaxed during the year and except for a few special cases was discontinued at the beginning of 1947. A good many of the controls in connection with pulp and paper were also removed.

The general policy of equitable distribution which applies to the distribution of goods not subject to rationing, allocations, or other specific forms of control was further relaxed at the beginning of 1947. The original policy had required manufacturers and wholesalers who were unable to meet the full demands of their customers to distribute supplies in proportion to their sales to individual customers in 1941. A change had been made in the latter part of 1945 when suppliers of some goods had been freed from the requirements of the policy, those of many others had only been restricted as to the distribution of 80 per cent of their supplies and the policy re-

mained fully operative for only a small number of goods where shortages were acute. In January, 1947, all goods remaining under the equitable distribution policy were placed in the category which required ratable distribution of 80 per cent of supplies leaving 20 per cent available for new customers and expansion of old accounts. A good many additional goods were entirely freed from the application of the policy. Most goods exempted from the provisions of price control were automatically released from the requirements of equitable distribution and this was also the case for those products which were in sufficient supply to meet the full demands of established customers.

The consumer credit regulations were also revoked early in 1947. As noted in previous annual reports of the Board, they had served a useful purpose during the war, both by helping to place some limit on the excessive demand for those consumer goods and services frequently bought on a credit basis and by contributing to a high proportion of cash sales with resulting savings to distributors. In view of improving supplies and of the heavy task of administration which would have been involved in appropriately adapting the application of these regulations to the changing conditions of supply and demand, the Government did not feel justified in continuing them under its emergency powers.

II PRICE POLICY AND PROCEDURE

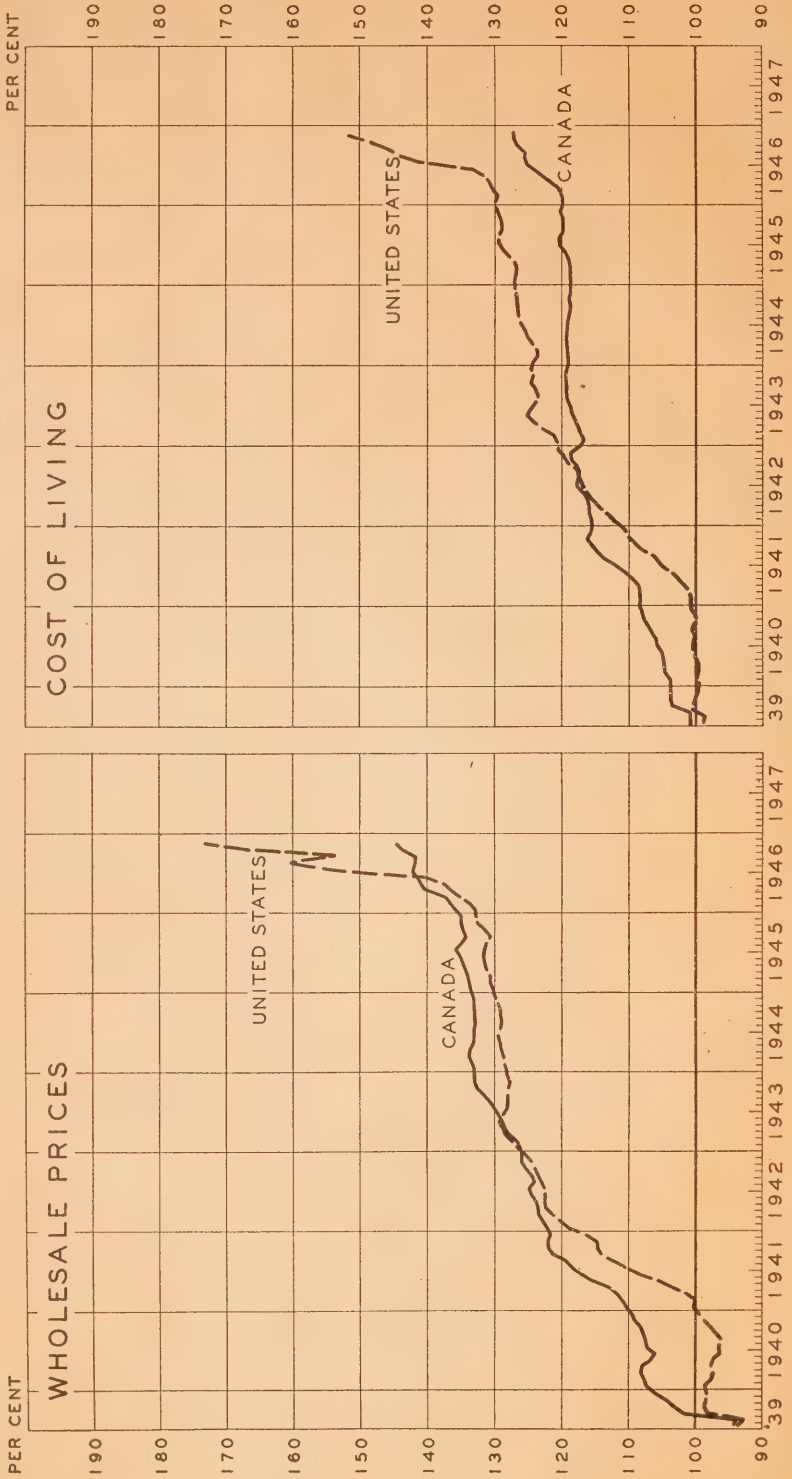
As pointed out in the preceding chapter, the methods of price control were adapted to the changing needs of the post-war period during 1946 and early 1947. More flexibility was introduced and a number of important steps were taken in the direction of decontrol. While there was no radical change in the principles of determining and adjusting maximum prices, considerations which had been of minor importance during wartime assumed increasing significance in the process of readjustment. The emergency character of price control and the necessity of ultimate readjustment to the realities of post-war conditions had to be clearly recognized. Thus, while every feasible effort was made to prevent unnecessary price advances, it was at the same time

essential to move toward the return of a free price structure as promptly as conditions permitted.

This involved a gradual and increasing recognition in the price structure of the intractable facts of higher costs at home and higher prices abroad. The consequences of the war on the structure of Canadian prices had gradually to be faced and while there was an element of choice in the timing there was no escaping the necessity of readjustment. The procedure of pricing imports was generally changed to take into account higher prices prevailing in the countries of origin and the number of imported goods eligible for subsidy was reduced to a small list of essentials. Subsidies on imported and domestic goods were substantially reduced,

WHOLESALE PRICES AND COST OF LIVING CANADA — UNITED STATES

1935-39 = 100



and in many individual cases eliminated, and corresponding price advances were usually permitted. A large number of price adjustments were authorized on domestic goods, not only because of the effects of subsidy reduction and the higher costs of imported materials and components, but also because of the accumulation of higher costs during the war and because of further advances in labour costs.

The burden of administration in this period of change was very heavy and the difficulties of retaining sufficient trained personnel were great. Each price adjustment involved thorough examination, and in some cases detailed study and investigation, by a limited staff of trained officials. At the same time, there was a continuing problem in setting maximum prices for new and dissimilar products, of which there were many, and of establishing appropriate ceilings for the large number of new entrants into business. Had it not been for the narrowing in the area of price control, which removed some of the items involving most difficult and time-consuming problems of appraisal, the task of administration might have become overwhelming.

A. DOMESTIC PRICING PROCEDURE

During the year "financial need" continued to be the primary criterion in considering adjustments in the ceiling prices of domestically produced goods. The application of this principle meant, as it had in the past, that requests from a firm or an industry for an increase in maximum prices could as a general rule only be considered if its overall operating results indicated that some increase was necessary. In reviewing the financial position of an applicant for a price increase, the general procedure was to include only those increases in costs which had actually occurred though it was sometimes necessary to obtain estimates as to prospective volume of production in order to reach a fair view of the applicant's financial position. In the case of higher labour costs, wage increases were considered only if they had been approved by the appropriate War Labour Board and were already in effect*

while after the removal of wage control late in the year, the actual rates in effect were recognized. By the end of 1946 it was probably fair to say that some adjustment in maximum prices had been made on this general basis in every important field of consumer goods which had not been released from price control. Some of the more important examples were in the spheres of farm machinery, automobiles, steel, secondary textiles, and wood products.

While financial need continued to be the main criterion for price adjustments, it became necessary during the year to give consideration to other factors in some cases. A continuing matter of concern was the suggestion that price control was retarding production. In general, this suggestion did not appear to be well founded, first, because the Board was always prepared to authorize appropriate price adjustments where overall financial need could be demonstrated, and, secondly, because in most instances the supply of materials and labour was such that increased production in the lines concerned could only be obtained at the expense of production of other items which were frequently of equal significance. Furthermore, viewing industry as a whole it is clear that employment has been at record levels, indicating that price control cannot have been a serious obstacle to production in general. There were, undoubtedly, however, so-called "loss lines", i.e., lines whose production was relatively unprofitable or less profitable than other items which the manufacturer was producing currently. In some cases, this problem was met where overall financial need was demonstrated by permitting differing increases on various lines. In a limited number of special cases where it was essential to obtain more production, frequently in excess of normal or usual quantities, price adjustments were authorized even when financial need in the usual sense did not exist. Adjustments of this type, which might be described as "incentive pricing", were made most frequently in the building products field, e.g., bricks, doors, sash and millwork, and household electrical wiring and fittings but the principle was occasionally adopted elsewhere as, for instance, in the cases of step and extension ladders. Late in the year the Government approved arrangements under which the

*There was a single exception to this rule in the case of the adjustment in steel prices in April 1946. It was discussed at length before the House of Commons Committee on Industrial Relations in July and August, 1946.

Inter-Departmental Housing Committee could, through the Minister of Reconstruction and Supply, certify to the Board that particular building materials were in short supply, and in such cases the Board was asked to approve price adjustments where it believed that the increased price would bring out a larger supply without an undue decrease in the production of necessary related goods.

The pressure of higher external prices upon Canadian ceilings became more evident as the year developed and involved some changes in domestic pricing procedure. Not only was it necessary to give recognition to the higher cost of imported materials and components in pricing domestically produced goods, but it also became necessary to take some account of the wide differentials existing between domestic ceilings and export prices for certain commodities normally exported in large volume. These wide differentials had the natural effect of increasing the desire to export, while at the same time the relatively low domestic price enlarged the demand in the Canadian market and in some cases encouraged excessive purchasing by industrial users and distributors which was extremely difficult to check. In the case of all major commodities where this pressure was important, export controls were continued to protect domestic supplies and in that of lumber detailed arrangements for allowing producers to obtain the benefits of higher export prices on a specified proportion of their production remained necessary. In the case of a number of non-ferrous metals where the domestic market was absorbing an unusually high proportion of output, further arrangements were made to see that the primary producer obtained the advantages of higher export prices on sales of metals which were fabricated by manufacturers for export. Early in 1947, higher domestic ceilings were authorized on copper, lead, and zinc in view of increased costs of production and of the effect on the companies' receipts of the notable reduction in the proportion of exports caused by the heavy domestic demand. There was no early prospect of any significant decline in export prices and it was believed that the narrowing in the differential between domestic ceilings and export prices would check the tendency toward excessive buying on the part of domestic

users. In April, 1946, an increase had been authorized in the ceiling prices of pulp and a further adjustment occurred in January, 1947. Increased costs of production were causing severe financial pressure on those producers who sold mainly or entirely in the domestic market and in these circumstances the differential between domestic and world prices was reduced. It may be added that in this case as in that of base metals, the original ceiling prices were much below the levels at which world prices appeared likely to settle.

The higher costs of imported materials involved a basic change in domestic pricing methods in a few important instances. The usual procedure has been to permit domestic price adjustments only when the firm or industry purchasing the more expensive imported material could demonstrate financial need. However, when steel prices were increased in the United States early in 1946 the effects on users of imported steel were serious and the administrative task of dealing with the great variety of users individually would have been quite impracticable. A formula was therefore worked out permitting manufacturers of steel products using metal imported from the United States to increase their ceiling prices in a specified manner calculated to reflect the increase in costs. This same principle was applied to manufacturers of rayon fabric goods using certain imported fabrics when the subsidy on these fabrics was removed in December.

B. IMPORT PRICING

The method of import pricing was basically changed during the year. In January, 1946, special action was taken to put the pricing of imports from a list of designated countries, all of which had suffered severe war dislocation or loss, on the basis of laid down cost plus a somewhat restricted mark-up. This policy was adopted by the Government because the maintenance of basic period ceilings on imports from countries where prices and costs had risen substantially might have delayed and interrupted the resumption of peacetime trading relationships. The policy, of course, did not apply to imports which remained eligible for subsidy and, because of the lack of goods available for export in the countries concerned, did not immediately affect any large volume of

trade. In the months following, as particular problems arose, similar principles were applied to certain specific products even when imported from countries not included in the designated list. Cost plus pricing was, for instance, applied in restricted form to imported automobiles and imported farm machinery.

By the middle of 1946 it had become extremely difficult to administer price control on the increasing volume of goods available from the United States and other countries to which this cost plus method had not been extended. In the great majority of cases, prices of goods from these countries were out of line with Canadian domestic prices. Rigid adherence to basic period price standards would undoubtedly have had the result of preventing the import of a considerable volume of goods. Moreover, because of the rapidly increasing variety of goods available, the administrative burden of setting the thousands of maximum prices involved had already become very heavy. Thus, in July, the principle of cost plus pricing was extended to goods from all countries, with the exception of goods which remained eligible for import subsidy and certain foods. Schedules of standard mark-ups for importing distributors were made up and applied to a wide variety of the products affected by the change in policy. These schedules enabled importers to calculate their maximum prices without obtaining specific price fixations and thus achieved a necessary reduction in the administrative work of the Board. To protect all concerned, the new import pricing policy was combined with rigid requirements of identification as to country of origin at all levels of distribution through labelling and invoicing provisions. As in the case of the original policy, as applied to designated countries in January, 1946, the mark-ups permitted were usually somewhat restricted; in general the aim was to establish percentage mark-ups which were roughly equivalent to the dollar and cent margins which had prevailed prior to the war.

C. SUBSIDIES

The Government's policy of subsidy reduction and removal and the problems of timing have already been mentioned briefly. The intention was to remove subsidies as promptly as was consistent

with an orderly readjustment of the price structure to the realities of post-war conditions. In carrying out this intention a number of factors had to be considered. The process had to be a gradual one since sudden or very rapid removal of all subsidies at a time when world prices were high and uncertain and when inflationary pressures remained great would have been quite inconsistent with orderly readjustment. Indeed, there were some instances in which new subsidies were necessary and others in which the rate of subsidy increased as a result of rising prices abroad. Subsidy reduction was therefore considered in relation to the general developments in the Canadian price level and in relation to the particular consequences in the existing circumstances of the removal or reduction of the subsidy under review. Another very important factor, particularly in connection with the subsidies on some imported materials, was the market position of the commodity concerned. If current prices seemed unduly high, as was sometimes indicated by a lower level of futures prices, there was a disposition to postpone or limit removal of subsidies until the outlook became somewhat clearer. In some cases where market conditions were obscure but the subsidized price was clearly low in relation to reasonable expectations, subsidies were reduced but not removed. Naturally, in the process of subsidy reduction the less important items were removed more rapidly than the major ones and the list of goods eligible for subsidy was substantially reduced.

A good many subsidies were removed during 1946 and early in 1947. In most cases, there appeared to be little early prospect of any material reduction in the costs which they were designed to offset and corresponding advances in prices were permitted. There were a number of examples of action of this sort both in regard to import and domestic subsidies. In the sphere of imported goods, the recent removal of the subsidies on rayon fabrics and woollen and worsted goods are cases in point. In the domestic sphere, the termination of subsidies applied to jams and jellies, canned goods, fertilizers, and fluid milk among other items. The removal of the subsidies on fluid milk was by far the most important action. There was no evidence to suggest that costs of production would decline

and on the 1st of June the first steps in a co-ordinated program to remove the two subsidies involved and return jurisdiction over the prices of fluid milk to the provincial authorities went into effect. On that date the so-called consumer milk subsidy was terminated while the removal of the subsidy paid to producers through the Department of Agriculture took effect on the 1st of October. The consumer milk subsidy, which was equivalent to 2 cents per quart, had been introduced in December, 1942, as the main item in a special emergency action to offset increases in the cost of living which were becoming cumulative. It was a temporary move which was deliberately designed to provide a breathing spell to strengthen and develop the machinery of overall price control which had only been instituted a year earlier and which was then under extreme pressure. This subsidy had reduced the price of milk by 2 cents per quart below the levels prevailing in the basic period. In view of its special character, its very substantial cost, and the fact that milk prices were low in relation to the basic period and in relation to costs, the consumer milk subsidy was one of the first major subsidies to be considered for removal.

There were a number of other subsidies which were reduced but not removed. In most of these instances it was clear that the subsidies concerned were in part offsetting more or less permanent advances in costs, but at the same time it was not possible to estimate with any degree of assurance where costs would finally settle. This was notably the case in respect to raw cotton. The base price of raw cotton, i.e., the subsidized price to Canadian users, was raised from 11.4 cents to 15.4 cents per pound early in 1946. At that time the New York market price was around 25 cents. In relation to the general problems of price control, the time was not appropriate for the full removal of the subsidy and there was no assurance that the market was in any way stabilized. Shortly thereafter, New York prices rose steeply reaching a peak of almost 40 cents per pound and subsequently reacting to around 30 cents, though the prices of the more distant futures were below this level. Early in 1947, a further step in reducing the subsidy was taken when the base price was raised to 24.4 cents. While this was considerably below the market price,

it was not far from the support price level in the United States and in view of continuing market uncertainty it was felt to be a reasonable basis on which to adjust domestic ceilings for textiles.

As a result of this general policy in regard to subsidies the list of domestic subsidy arrangements and of items eligible for import subsidy was substantially reduced. Early in 1946 the former approach to import subsidies, under which commodities were broadly considered eligible for subsidy unless specifically declared ineligible, was abandoned. In its place a positive list of items eligible for import subsidy was announced. This list was subject to a continual paring-down process throughout the year, with the result that by early 1947, the area of subsidy payments had been very substantially narrowed. In general, subsidies remaining on domestic and imported goods were with a few exceptions confined to items which would fall in the category of basic foods, textiles, and fuels. Moreover, as noted above, a good many of the subsidies in this category had already been removed or reduced.

While the general trend was strongly in the direction of subsidy removal during the past year, there were a number of instances in which rates of subsidy increased, as in that of cotton until the recent advance in the base price, and there were some cases in which new subsidies were paid. In some of these latter instances, however, subsidies have since been removed though the important subsidies which were necessary to obtain the maximum output of steel at a time of acute general shortage remained in effect.

Throughout the period of price control the Board has, through the Commodity Prices Stabilization Corporation, frequently used the technique of bulk purchase sometimes involving the absorption of a trading loss as an alternative to a subsidy arrangement. Bulk purchasing through a government agency was the only means of obtaining a fair share of some foodstuffs and materials which were critically short and subject to international allocation. In addition, bulk purchasing involving a deliberate trading loss was in some cases a more efficient and less costly method of subsidization than the payment of subsidies to individual importers. During 1946 and early 1947, a number of bulk purchasing ar-

rangements were discontinued in line with the general principles applying to subsidy reduction. Potential trading losses on other bulk purchasing operations were reduced or eliminated by raising Canadian selling prices by appropriate amounts. The increases put into effect on sales of coffee and vegetable oils early this year are examples of this latter type of action.

With the elimination of price control in the United States, the problem of administering some import subsidies became more difficult. One of the checks on import subsidy disbursements had always been that no price higher than prevailing market prices at the time of purchase would be recognized as a basis for payment. While United States price ceilings were in existence, they constituted a general guide in this respect. With their removal it was necessary to take additional steps to guard against excessive claims for subsidy, particularly in the case of textiles where the market was fluctuating widely. Accordingly, the Commodity Prices Stabilization Corporation established an office in New York which was in a position to advise importers of rayon and cotton yarns and fabrics as to the acceptability of their proposed purchase prices for subsidy purposes.

D. PRICE DECONTROL

The first major step in removing price ceilings was taken on February 1, 1946. As the Government announced at that time, there were several considerations in choosing the particular goods which were released from price control. For most of the items concerned, the chief consideration was that significant price increases were not anticipated. Another consideration was the importance of the item in family and business expenditures and most of the goods on this first list were of comparatively minor significance. A further factor which was important in some cases was that the administrative effort involved in retaining price control over some goods was likely to become disproportionate to benefits obtained by control. The scope of this original order was widened from time to time between the 1st of February and early in July, both by individual notice and by the issuance of amendments to the original order. Surveys of the retail prices of a sample list of goods released from control

indicated that in most cases few price increases occurred.

It soon became clear, however, that this method of specifying all those items to be released from price control was almost bound to overlook some of the thousands of minor items which could appropriately be exempted from control. After announcing a list of items, it was usually found that despite painstaking efforts some other goods of a similar nature and in a similar position had not been included. There was considerable difficulty for the trades concerned in interpreting such lists. Moreover, the publication of long and detailed lists of items removed from price control tended to create an exaggerated impression of the extent of decontrol and create public uncertainty as to what goods remained under price ceilings.

A broader approach, though still a negative one, was adopted when in May virtually all capital equipment used in industry and distribution was released from control. In this case the order provided in general terms that goods used in the manufacture, processing, distribution, storage, etc., of goods and services, but which did not themselves become components or constituents of such goods were suspended from the application of price control. This was a significant step in decontrol and was taken in the knowledge that some price advances might follow. Price control of such goods, however, had been exceedingly difficult to administer in view of their wide variety and varying specification. The fact that the prices of capital goods only enter gradually into the costs of producing consumer goods was a further consideration in taking this step of decontrol.

In July, at the time of the restoration of parity between the Canadian and United States dollar, a further step in decontrol was taken and the positive method of specifying those goods and services remaining under price control was adopted.* A specific list of all the goods and services still subject to price ceilings was issued and the initial method of listing the items released from control was abandoned. In this way a wide variety of items which would have been difficult to specify in appropriate detail was automatically re-

*For a comprehensive statement of the steps taken at that time and of the reasons for them see Appendix A-1.

moved from price control. While the number of items released was large, price control still covered almost all goods of everyday importance in the household budget and many more, and most of the items of chief importance in costs of production including industrial materials and most components, and farmers' and fishermen's supplies.

Because of unfavourable developments, including the termination of price control in the United States and the delaying effects on production of industrial disputes in that country and in Canada, further steps in the decontrol of prices were postponed until early in 1947. By that time, production was increasing

rapidly and there were some signs that the price boom in external markets might be running its course. In the words of the Minister of Finance, "the outlook for a better balance between supply and demand is therefore beginning to brighten. The menace of soaring prices is beginning to recede in some directions." In these circumstances, a major move in decontrol—the most significant to date—was taken, reducing the controlled list largely to goods of basic importance in living costs and production costs. The full statement by the Minister of Finance outlining the scope of the change and the reasons behind the choice of items for release from price control is contained in Appendix A-2.

III—FOODS

With one or two exceptions Canadian crops in 1946 were good, especially when compared with the relatively poor harvest of 1945. The yields of most grains, fruits and vegetables were substantially greater than in the previous year and in some instances were well above normal. The improvement in supply, however, was not felt until the latter part of the year. Moreover, in the case of feed grains the acreage planted was lower than in 1945 and since the carryover was very small the better yield per acre did little more than maintain supplies at the inadequate levels of the previous crop year. Dairy and meat production showed the effects of the continued shortage of feeds and of labour as well as of other factors. The total output of milk fell somewhat below the record levels of the two preceding years, and the decline was concentrated in butter and cheese. Hog production continued the marked decline which began early in 1944, though by the end of the year there were signs of an improving trend. Marketings of cattle were somewhat lower than in 1945 but still at a high level. There was some improvement in the supply of certain imported foodstuffs, such as sugar, but in other cases, such as oils and fats and rice, shortages remained extremely severe.

Meanwhile, the domestic demand for food in Canada was sustained throughout 1946 at a very high level. This demand was reinforced by urgent external requirements which were as large and sometimes even larger than in the previous year.

Thus, in assuming responsibility of exporting heavily to countries less fortunately situated, and in having to face like other countries the effects of shortages of commodities produced outside her borders, Canada found it necessary to continue certain restrictions on the domestic use of food. Meat, butter and sugar rationing were the most important of these, though other controls were also needed, such as those concerning the use of butterfat in cream and ice cream, the use of vegetable oils by processors, the quotas on hog slaughtering, the export of feed grains and the rationing of preserves and canned milk.

Favourable crops, however, did permit the relaxation of some distribution controls. The control over domestic wheat consumption, introduced early in 1946, was removed in September. The distribution controls over canned fruits and vegetables were also rescinded, except for a special arrangement with respect to the pack of canned tomatoes and tomato juice, and in December, 1946, canned fruit was removed from the consumer ration. Meanwhile, the Board's equitable distribution policy, which was revised in 1945 to permit suppliers of certain foodstuffs to distribute freely up to 20 per cent of their current supplies, was continued during 1946, and a few further relaxations were made at the beginning of 1947.

While the supply of some foods improved, reduced production of others, the high demand and the general world-wide shortages all contributed to sustaining

the pressure on price ceilings. Furthermore, the Government's policy of controlled readjustment to post-war conditions involved the gradual reduction and removal of subsidies which in turn meant a number of upward price adjustments. Thus, the year was one of important revisions in price ceilings, as indicated by the 10 per cent rise in the prices of foods contained with official cost of living index. In addition to price advances resulting from the removal and reduction of subsidies, the most important of which concerned fluid milk, price increases were authorized for some farm products, the most significant advances being in pork, in an effort to sustain output and to keep up export shipments. Certain other price adjustments were made to secure better distribution, while the system of standard maximum prices was extended in the interests of reducing the administrative load and of improving enforcement.

In January, 1947, adjustments were authorized in the prices of meals containing meat, fish, poultry or eggs, served in restaurants, hotels and other public eating places. An examination of food, labour and other operating costs of a representative sample of restaurants indicated that expenses had risen to a point where price increases were necessary to maintain the standard of meals.

Finally, steps were taken in the direction of decontrol. As a result of ceiling suspensions early in 1946 and of further decontrol moves announced in January, 1947, price controls over foods were reduced to a specified list of basic items where the retention of ceilings remained necessary in the light of supply conditions and of export and domestic demands. Most of the major foods continued under price control, the most important deletions being fresh fruits and vegetables (except for apples), and fish (except for canned salmon, pilchards and sea trout).

A. MEATS

The reduced output of meat and the urgent and heavy external demands on Canadian supplies required the continuance of meat rationing and sustained the pressure towards higher prices. Inspected hog slaughtering was 25 per cent lower than in 1945 and those of cattle were down about 8 per cent from the record level of the previous year. There was no

reduction in the demand. The needs of the United Kingdom and liberated Europe continued to be very large and Canada was one of the few countries in a position to assist in meeting these urgent requirements. At the same time, domestic demands remained heavy and rationing was continued in an effort to sustain exports. Total shipments of beef to the United Kingdom and Holland and of canned meats to the United Kingdom, U.N.R.R.A. and other areas were satisfactory, but exports of pork to the United Kingdom fell considerably below the agreed abjective.

Early in 1946, it was clear that the decline in hog production was involving a curtailment in shipments under the British bacon contract to a level substantially below the quantities specified. With a view to checking this tendency, the Minister of Agriculture announced in March, 1946, a new contract price of Wiltshire sides $2\frac{1}{2}$ cents per pound over the previous seaboard price. Since the export price virtually determines the floor price for the home market, it was necessary for the Board to make corresponding adjustments in domestic ceiling prices. The new price schedules meant an increase in consumer prices ranging from one to four cents per pound, depending on the cut, as well as adjustments in the ceiling price structure of related products, such as sausages and canned pork products. In April, steps were taken to improve the control over retail ceiling prices of the various pork cuts. Retailers were required to follow a standard method of cutting, as was already the case for beef, veal and lamb. Standard retail ceilings on the various approved pork cuts were thus established by zones. The ceilings are based on authorized wholesale prices and permit retailers approximately the same overall mark-up as that which obtained previously.

A second adjustment in domestic pork prices was necessary in January, 1947, again as a result of an increase in the bacon contract price with the United Kingdom. Despite the earlier price increase, shipments under the contract continued to fall seriously short of requirements and the new price, announced by the Minister of Agriculture, was designed as a further stimulus to the production of hogs. The new price called for a total increase of 4 cents per pound in Wiltshire

sides f.o.b. seaboard by September 1, 1947, half of it coming into effect in January, 1947, and requiring an appropriate adjustment in the domestic price structure. In establishing the new domestic wholesale ceilings, some recognition was given for the first time to the increases in the costs of labour and materials in the meat packing industry, which had occurred since the basic period. In determining the new pork prices, the largest increases were authorized on by-products such as lard and fancy meats, thus minimizing the increase required on standard cuts.

During April, 1946, there was an acute market shortage of the higher grades of beef; producers maintained that wholesale ceilings on these qualities were too low relative to those on lower grades. As a corrective to the restriction in marketings the Board suspended wholesale ceilings on carcasses grading "red" and "blue", from May 27 until July 20. This permitted packers to pay more for the top grades and, as a result, supplies again became adequate. Ceiling prices on both these top grades at the retail level and on all other qualities at both wholesale and retail remained unchanged, so that ceiling prices to the consumer were unaffected. It was impracticable, however, to maintain ceilings indefinitely at retail without a measure of control at the wholesale level. A revised schedule of wholesale and retail ceilings was, therefore, introduced on July 22, 1946, which established a more satisfactory price relationship between the top grades and lower qualities of beef, and also improved the system of meat distribution. Ceiling prices both wholesale and retail, were raised for the top three grades, some changes in the classification of grades were made and the relationship of prices as between zones was slightly altered.

Prices of canned meat were standardized in March, 1946, at levels somewhat above the average of former individual ceilings. Prices to the consumer were not materially changed but standardization provided some financial relief to established processors and lessened the Board's heavy administrative burden of establishing individual ceilings for the numerous new producers of canned meats. Price increases were authorized during the year on several other processed beef and pork products, many of which had previously been selling at basic period prices. The

increases brought prices into line with the higher ceilings for fresh meat.

B. POULTRY AND EGGS

Production of poultry and eggs continued at a high level in 1946, but with heavy export shipments of eggs and the domestic rationing of fresh meats, domestic demand remained large and prices were at their ceiling for much of the year.

There were a number of price adjustments among poultry products. In August, the pricing of turkeys and chickens was revised to provide a more even flow of birds to the market. At the end of November, further pricing revisions were made to provide a more equitable distribution of turkeys during the Christmas season. Ceiling prices to the consumer were unaltered by this action, but early in December an increase of one cent per pound in the maximum wholesale prices for special grade young turkeys was permitted in view of a change in grading regulations. During the year, higher prices were authorized to producers of canned poultry and canned chicken stews and dinners, because of the higher prices prevailing on the fresh poultry market.

Egg production in 1946 was somewhat below the high level of the preceding year, while demand was sustained by large domestic requirements and heavy export shipments of shell and dried eggs under the United Kingdom agreement. The ceiling price for eggs continued unrevised in 1946, but prices moved to the ceiling much earlier than usual and were at ceiling levels for the greater part of the year. By the terms of the new egg contract with the United Kingdom, a somewhat higher floor price came into effect.

C. FISH AND FISH PRODUCTS

As in the case of poultry and eggs, meat rationing tended to enlarge the domestic demand for unrationed fresh and canned fish. Export and relief demands were also substantial. Fortunately, the catch of fish was satisfactory, except for a few species, the most important of which was salmon, and reasonably adequate supplies of fish and fish products were available. There were a few pricing changes in 1946, including the suspension of ceilings on several luxury type fish and two increases in the prices of canned salmon. Otherwise the ceiling price structure was left un-

altered. Towards the end of the year, fish prices in external markets weakened considerably and in January, 1947, it was decided to release from price control all fish and fish products with the exception of canned salmon, canned sea trout and canned pilchards.

The 1946 canned salmon pack was again under international allocation, and the amount available in Canada was 500,000 cases as against 304,000 cases in 1945. The equalization subsidy previously paid to canners on that portion of the pack allocated and sold in Canada was not renewed on the 1946 pack, and ceiling prices were increased to levels more in line with the export price. Later, it became apparent that the pack would be smaller than anticipated, with a low proportion of the intermediate species which ordinarily form the bulk of the pack. As a consequence of this and of increased labour costs, storage and handling charges not reflected in the earlier price adjustment, packers were authorized an additional 6 per cent increase on all varieties of canned salmon.

D. DAIRY PRODUCTS

Throughout 1946, dairy products presented major price and supply problems. The demand for milk for all purposes continued extremely heavy, but total milk production for the year was some 5 per cent below that of 1945. Sufficient milk was not available to meet all domestic and export demands for milk products. The price and subsidy structure, although changed during the year, placed emphasis on meeting the demand for fluid milk and to a lesser degree on producing cheese for export to the United Kingdom and concentrated milk products for essential domestic and urgent export needs. Fluid milk supplies were well sustained, and export and essential domestic requirements of concentrated milk products were met. The production of cheese fell off and exports were below specified requirements. The output of butter despite a price increase early in the year, was about 8 per cent lower than in 1945 and rationing had to be continued.

Several important steps were taken during the year toward removing subsidy payments from the price structure for dairy products. On June 1, 1946, the payment of the consumer milk subsidy which had been introduced in December,

1942, was discontinued. This emergency subsidy had made possible a reduction of two cents per quart in the retail price of milk and its removal entailed a similar increase. At the same time, control over the price and distribution of fluid milk was returned to the various provincial Milk Boards, though the regulations prohibiting the sale of whipping cream, restricting the butterfat content of cream to 18 per cent and limiting the quantity of cream which may be sold, were retained in order to conserve butterfat.

Concurrent with these changes, it was announced that the subsidy to primary milk producers paid through the Department of Agriculture, would be withdrawn on September 30, 1946. When this action was taken, milk prices were increased by the provincial Milk Boards in amounts varying between provinces and ranging from $1\frac{1}{2}$ to 3 cents per quart. Many of the increases were greater than the equivalent of subsidy which represented about $1\frac{1}{2}$ cents per quart. At the same time, the subsidy of 30 cents per hundred-weight of milk entering into the manufacture of concentrated milk products, which was also paid through the Department of Agriculture, was removed, and the Board authorized correspondingly higher ceilings on evaporated milk, condensed milk and milk powder.

Two major subsidies remained in the sphere of dairy products, both being paid through the Department of Agriculture. The most important is that on butterfat entering into the production of creamery butter, at a rate of 10 cents per pound. Milk entering into the manufacture of cheddar cheese is also subsidized at a rate of 30 cents per hundredweight.

The combination of a high level of demand for milk for other uses and a decline in the total milk flow, was reflected in a lower butter output. Total production in 1946 was some 8 per cent below that of 1945, though in the closing months of the year the percentage declines from the corresponding months of 1945 were less marked. In the winter of 1945-46, it was necessary on two occasions to reduce the consumer ration, and for a period of ten weeks it was at the low level of 4 ounces per person per week. To avert such a restrictive ration in the winter of 1946-47, ceiling prices for creamery butter were raised by 4 cents per pound in April, 1946, as an incentive to greater produc-

tion. Prices of dairy and whey butter were later raised 4 cents per pound in line with this increase. With the seasonal improvement in supply, the ration was increased in June to 6 ounces. In spite of the higher prices and the fact that the ration in force throughout the 1946 producing season was lower than a year earlier, it became apparent in December that stocks would be insufficient to maintain the 6 ounce ration until the new 1947 production season got under way. As a result of consultations between Canada, the United Kingdom, Australia, and New Zealand, agreement was reached to allocate to Canada a quantity of butter up to 12,000,000 pounds, in order to avoid a break down in the rationing system.

The tight supply situation contributed certain abuses in the distribution of butter. Normally, a large amount of butter flows from Prairie creameries to wholesalers in Eastern Canada and British Columbia. However, a practice developed where Prairie wholesalers were buying up stocks more than sufficient for distribution in their own areas and selling such stocks to wholesalers in other provinces. Being obliged to buy this butter at the wholesale price, wholesalers outside the Prairies were allowed no margin. To correct this situation, wholesalers in the Prairie Provinces were prohibited from increasing their sales to wholesalers in other provinces above the amount sold to these customers in the corresponding months of 1945. During the winter months some subsidy assistance was given in connection with the diversion of butter to areas of short supply.

The total output of cheddar cheese was about 25 per cent lower than in 1945. Since priority was given to the export contract with the United Kingdom, there was a difficult problem in securing a fair distribution of domestic supplies. In August, 1946, the Board requisitioned for re-distribution all stocks held by processors and dealers in excess of 75 per cent of their holdings at the same date in 1945, and required all persons holding more than 5,000 pounds of cheddar cheese to report such stocks. As an aid in preventing diversion of supplies from normal trade channels, the definitions in the pricing order for cheddar cheese were made more specific. Diversion continued, however, and the further step was taken of prohibiting wholesalers from selling without

permission any cheddar cheese manufactured in Quebec and Ontario after the 12th of October. At the same time manufacturers in these two provinces were required to make weekly reports of the quantities of cheddar cheese produced, sold and held by them, while wholesalers and wholesale buyers were required to give similar reports of their purchases, sales and stocks.

E. CEREALS AND CEREAL PRODUCTS

Despite the rise in the guaranteed price of wheat to the farmer, the retail price structure for bread and flour was held unchanged during the year except for adjustments in bread prices of small bakers in Quebec and Eastern Ontario. The Canadian Wheat Board's domestic selling price of wheat was maintained throughout 1946 at \$1.25 per bushel (basis No. 1 Northern in store at Fort William), and a drawback continued to be paid to millers by the Treasury on the basis of the difference between that price and a price appropriate to the ceiling price of flour (77-3/8 cents per bushel). This drawback continued to be subject to limitation in relation to the profit position of the recipient.

To conserve wheat for relief requirements, the government in March reduced the amount of wheat available in Canada for milling by 10 per cent based on 1945 purchases, and for distilling purposes, by 50 per cent based on the amount used in 1945. With the good wheat crops of 1946 both in Canada and the United States, the restrictions on wheat for milling were removed in September.

Price adjustments were authorized in 1946 for several cereal products because of the termination or reduction of subsidies. In May, the subsidy on domestic corn to processors of corn products other than corn meal and flour was discontinued and manufacturers' ceilings on such products as corn syrup, starch and cooking oil were increased proportionately. The resultant higher ceilings made possible a reduction of the subsidy on imported corn.

Early in the year, processors of pot and pearl barley were authorized higher ceilings on bulk sales to wholesalers, resulting in an advance of about one cent per pound on bulk sales at retail. In mid-1945 the Board had cancelled the subsidy which rolled back processors' prices to levels consistent with retail basic period prices,

but no increase had been permitted in existing ceilings since at that time processors were obtaining the benefit of the substantial premium on export sales. When processed barley exports were later placed under strict control, a price adjustment became necessary.

Because of the severe shortage of supplies, rice has remained under international allocation. Canada's share for the twelve months ending June, 1947, amounted to about half the allotment of the previous year. In these circumstances a system of priority distribution was maintained to assist in meeting the claims of the Oriental population. At the end of October, 1946, the import subsidy on rice was cancelled and mill prices were raised in line with the higher external prices. As a result, consumer prices rose by 3 to 5 cents per pound.

F. FRESH FRUITS AND VEGETABLES

Domestic crops of fresh fruits and vegetables in 1946 were very satisfactory and the new crop supplies available to consumers and commercial users have been generally adequate. There were some new pricing developments during 1946, but the basic structure of ceiling prices was virtually unaltered. Strawberries, raspberries, parsnips and turnips and certain root vegetables when sold to dehydrating plants or other processors, were removed altogether from price control early in the year, and ceilings for a few commodities were adjusted slightly to secure better distribution. Then, early in 1947 in view of the satisfactory supply, price ceilings were removed from all fresh fruits and vegetables except apples.

The 1946 potato harvest was a third greater than in the previous year and well above normal pre-war levels. As a result, prices for the new crop fell below ceilings in most areas. Supplies during the early part of the year, however, came out of the carry-over from the 1945 crop which was exceptionally small. Thus, until the new crop was marketed in volume, many areas were dependent on supplies from the United States. Some subsidy assistance was required on such imports but close control was maintained in order to confine imports to areas where domestic supplies were insufficient to meet the demand.

Prior to decontrol in January, 1947, the price structure applicable to the 1946 potato crop was the same as that for the

previous year, except for the elimination of the maximum transportation allowance on new potatoes. Previously, prices of new potatoes were based on Harrow, Ontario, or Vancouver with an allowance for transportation costs to the distributing centres not to exceed 40 cents per hundredweight. Under this procedure it had been necessary to subsidize shipments to areas where transportation charges were higher than the limit set. The new method of pricing eliminated the maximum allowance and provided that the transportation charge should be limited to the rate from either Harrow or Vancouver whichever was the lower. In this way, transportation subsidies on potatoes were avoided with only minor consequences on the retail price structure.

The 1946 domestic fruit crops were also plentiful and with few exceptions production much exceeded the below-average output of 1945. Slightly smaller crops of strawberries, raspberries and loganberries, were harvested but the peach, pear and plum crops were respectively 35, 47 and 40 per cent greater than in 1945. Cherries were up 13 per cent, apricots up 91 per cent and apples, one of the largest crops on record, up 120 per cent. In this situation, pricing problems were greatly eased. Ceiling prices for the 1946 crops of peaches, pears, plums and apricots were identical to those established on the 1945 crops, while slight changes were made in the orders governing prices of cherries, grapes and apples. At the time the question of the 1946 crops of strawberries and raspberries was being considered, there were prospects for a good harvest and ceilings on these two commodities were suspended. Maximum growers' prices for labrusca type grapes were this year increased 3 to 6 cents per six quart basquet, depending on the class of buyer. The increase was permitted in order to cover the higher price of containers approved earlier by the Board.

Minor changes in the apple price structure were designed to bring prices of eastern and western apples into a more normal relationship. The eastern apple crop in 1945 was very poor and to provide some relief to growers, ceilings had been increased considerably above 1944 levels. With an excellent crop in prospect for 1946, a readjustment of prices was desirable. The price structure was revised through a combination of actual price

adjustments and changes in storage charge allowances. The basic adjustment was a 5 cents per box increase in ceiling prices for western apples and a 5 cents per bushel decrease in ceiling prices for eastern apples. Together with the revised storage allowances, the ceilings on eastern varieties averaged below those of the previous year, but on western apples somewhat higher. Apples of the 1946 crop are the only fruit which still remains under price control.

Several times during 1946 it was necessary to change the pricing procedure for oranges because of developments in the United States. Canadian ceilings had been based on the United States ceilings currently in effect, plus allowances for transportation and normal trade margins. Between November, 1945, and October, 1946, however, the ceiling price for oranges in the United States was suspended three times, reimposed twice and increased once. On each cancellation of the OPA ceiling it was necessary to base maximum prices in Canada on the ceilings in effect just prior to the date of cancellation. On October 24, 1946, the OPA ceiling was removed for the last time. In view of the large California crop no appreciable rise in United States prices was expected and for that reason prices in Canada were again based on the United States ceiling in effect prior to the removal of controls. Finally, orange prices in Canada were returned to the free market early in January, 1947.

G. DRIED FRUITS AND VEGETABLES

For some years, dried fruits have been subject to international allocation, Canada's share being procured through bulk purchase arrangements by the Commodity Prices Stabilization Corporation. On the resale of these imported fruits, particularly California raisins and prunes, the Corporation has taken substantial trading losses in order to maintain prices at or near basic period levels. In the 1946-47 marketing year, however, dried fruits were released from international allocation and procurement of all dried fruits with the exception of raisins, currants and prunes has been returned to regular trade channels. In the case of dates, standard ceilings were established on sales by importers, while for other dried fruits ceiling prices were stated in terms of landed costs plus a specified

mark-up. Wholesale and retail mark-ups remained the same as those in effect when these items were bulk purchased.

The Corporation continued to arrange for the importation of currants, raisins and prunes in order to ensure minimum Canadian requirements for sale at controlled prices. By means of a moderate price increase, the trading loss on raisins and prunes of the 1945-46 crop was materially reduced, though it still remained substantial. Instead of permitting an increase in trading losses when the price of prunes in the uncontrolled United States market rose in the fall of 1946, the price advance, amounting to about 5 cents per pound at retail was passed on to Canadian consumers. The same policy was followed in the case of raisins when world prices for the 1946-47 crop increased and this also resulted in a rise of about 5 cents at the retail level.

A price increase was also required on dried beans. In June, the subsidy of 75 cents per bushel paid through the Department of Agriculture to producers of white and yellow eye beans was discontinued and appropriate price adjustments were authorized. At the same time, uniform prices for domestic and imported coloured beans were established.

H. CANNED FRUITS AND VEGETABLES

As a result of the excellent crops, the 1946 pack of canned fruits and vegetables reached an all-time record. The principal price and supply developments during the year were the elimination of most distribution controls, the removal of canned fruits from rationing and the elimination of subsidy from the canned goods price structure. Early in 1947 a number of canned goods were suspended from price control.

For several years, canned fruits and vegetables had been subject to distribution controls designed to ensure supplies for the armed services, the Red Cross, ship's stores, and other preferred users such as logging camps and hospitals. Plentiful supplies of canned goods from the 1946 packs made it possible to remove these distribution controls in all cases except canned tomatoes and tomato juice, where some distribution control was still needed in order to meet export arrangements with the United Kingdom and to provide for other essential needs. Thus, the larger canners of tomatoes and tomato

juice were required to retain 15 per cent of their packs for priority distribution, but after November 30 any part of this retained amount which still remained could be sold without direction. The favourable pack of canned fruit also permitted the removal of canned fruit from the consumer ration in December.

An important change in the price structure for canned fruits and vegetables occurred in 1946 as a result of the removal of the Department of Agriculture subsidies to growers of tomatoes, peas, green and wax beans, corn and carrots for use in commercial canning. The new price schedules had also to make allowance for the cancellation of additional subsidies paid through the Commodity Prices Stabilization Corporation to processors of fruits and vegetables, including the tree fruit subsidy paid to growers through the processors. The extent of the resulting price increase to the consumer varied with the commodity but the range was from one cent per 20-ounce can of peas to 5 to 7 cents on canned pears. As a result of these higher ceilings, an unusually large differential existed between prices of the commercial packs and those of small home canners who sell locally. In view of this, and of numerous requests for relief received from home canners of vegetables, upward adjustments in their maximum prices were made as well.

The decontrol measures taken in January, 1947, removed ceilings from a number of canned fruits and vegetables, and narrowed the range of price control in this field to the larger staple items, such as canned tomatoes, peas, beans, corn, peaches, pears and plums.

Measures were again taken during the 1945-46 season to augment the supply of imported grapefruit juice, an important source of vitamin "C". The Commodity Prices Stabilization Corporation arranged for the purchase of some 700,000 cases which were distributed in Canada at prices which involved considerable cost to the government. In the fall, the price of grapefruit juice in the United States declined and the trade was then able to import this commodity for sale under the Canadian ceiling without subsidy assistance. In January, 1947, prices of all fruit and vegetable juices were decontrolled.

I. SUGAR

World supplies of sugar remained short during 1946, requiring the continuance of rationing in Canada. International allocations were continued and Canada's imported supplies were again bulk purchased under contract with the British Ministry of Food.

The overall per capita allotment of sugar in Canada in 1946 was somewhat larger than the restricted supply in 1945 but still below any earlier year. During the latter part of the year supplies improved and the consumer ration and quotas of other users were increased. For quota users this was the second increase during 1946, since quotas had been raised by 10 per cent in the second quarter. The new ration permitted consumers 3 extra pounds per person during the last four months of 1946 while industrial quotas for the fourth quarter were raised to the following percentages of their 1941 usage; soft drink and candy manufacturers, 70 per cent; biscuit and cereal manufacturers, 75 per cent; bakers, 80 per cent.

There were no changes in the price ceilings for sugar but a payment of 60¾ cents per 100 pounds of sugar was made to the producers of sugar beets.* The price of Barbados molasses was advanced on the partial elimination of subsidy and the price of honey was increased about one cent per pound.

J. OILS AND FATS

The world-wide shortage of oils and fats remained acute during the year. Total world production available for consumption during 1946 was estimated to be 80 per cent of normal pre-war output, while the quantities entering international trade were only about one-half the pre-war volume. International allocation of oils and fats was, therefore, continued throughout 1946, though subject to considerable strain since some of the major suppliers and buyers were disposed to make their own arrangements.

Canada had great difficulty in obtaining her allocation of vegetable oil from the Argentine, but the sharp reduction in the domestic production of lard and pilchard oil, together with the increased demands for both edible and industrial oils, made

*On February 7, 1947 an increase in this payment to \$1.25 per 100 pounds was announced for sugar produced from the 1947 beet crop.

procurement absolutely necessary despite extremely high prices.

With the exception of moderate increases in the prices of lard, herring and pilchard oil, the ceilings on domestically produced oils and fats were held throughout the year. Prices of consumer goods in this field were, with the exception of peanut butter, maintained at basic period levels throughout 1946. This involved the continuation of subsidies on materials used in the manufacture of soap and shortening. On February 1, 1947, however, the subsidies payable on the domestic constituents of these products were virtually eliminated while the large subsidies on imported vegetable oils were reduced though not removed. Appropriate upward adjustments were authorized in the prices of soap, shortening, salad and cooking oils. The increase in the price of shortening combined with the earlier increase in the price of lard necessitated a 10 per cent advance in the prices of biscuits and bakery products (excluding bread). Basic period ceilings on peanut butter were also held until December, 1946, when low cost supplies of overseas peanuts ceased and the price was adjusted upwards to reflect the much higher cost of American peanuts. In January, 1947, this commodity was released from price control.

K. BEVERAGES

Canada's requirements of tea and coffee continued to be bulk purchased by the Commodity Prices Stabilization Corporation throughout 1946. At the beginning of 1947, however, important steps were taken towards decontrol in both the price and procurements fields.

On the one hand, world coffee prices had risen sharply during the year with a consequent increase in trading losses. On the other hand, the international joint purchasing scheme under which prices and supplies of tea had been controlled since September, 1942, came to an end with the announcement by the Indian and Ceylon Governments that tea sales by public auction would be resumed on January 1, 1947. The opening auctions have shown sharp increases in prices. While the Corporation's tea purchases during the latter part of 1946 had not involved trading losses, purchases on the open market could not now be made for sale at ceiling prices.

It was, therefore, decided effective January 1, 1947, to restore tea and coffee prices to the levels prevailing before the introduction of the consumer subsidy in December, 1942. At that time, in an effort to reduce growing pressure on the cost of living, retail tea and coffee prices had been reduced by 10 cents per pound and 4 cents per pound, respectively. An offsetting subsidy was paid on trade stocks, and the reduced prices had been maintained up to the end of 1946, through the sale of bulk-purchased coffee and tea at prices which, when necessary, involved a trading loss. Even with prices restored to the old higher levels, the loss on bulk purchased coffee is still considerable.

Shortly after the announcement of the January 1, 1947, price increases, the Corporation advised the tea and coffee trade that no further bulk purchases would be undertaken when current contracts were completed. Requirements beyond the six to nine month's stock on hand or contracted for will, therefore, have to be secured through normal trade channels.

IV—FARM EQUIPMENT AND SUPPLIES

The demand for farm machinery, feeds and other agricultural supplies in 1946, as in the previous year, was generally greater than the available supply. Production of farm machinery was higher than in 1945, in spite of the shortage of steel. The overall supplies of feedstuffs were scarcely sufficient in 1946 and supplies and varieties are expected to be very limited by the spring of 1947. By the end of 1946 the total supply of oats and barley was no greater than in the previous year; the

output of processed feeds had increased but protein feeds were short.

During the year, an increase was authorized in the ceiling prices of Canadian-made farm machinery, and rising prices in the United States led to some advances in the cost of imported farm machinery despite the return of the exchange rate to par with the U.S. dollar. There were no significant changes in the structure of feed prices and the relatively low level of feeding costs continued to

depend upon the supplementary equalization payments made to western producers by the Canadian Wheat Board on barley and oats, and on feed wheat subsidies and feed grain transportation subsidies paid by the Department of Agriculture. In the case of farm supplies, the subsidies paid through the Board on fertilizers and wooden containers were discontinued and superseded by price increases but the major subsidy on binder-twine remained in effect.

A. FARM MACHINERY

The demand for farm machinery in Canada during 1946 was supported by well sustained farm income and by the substantial backlog of requirements which had accumulated during the war years. Moreover, with farm labour still scarce and farm wages relatively high, there was a strong incentive to use labour-saving machinery.

Consequently, although the actual production of farm machinery in 1945-46 exceeded the production of 1944-45 by 20 per cent, farm requirements could not be fully met. As in previous years, steps were taken to ensure that the farm implement industry would receive sufficient materials to complete a specified minimum volume of production. These arrangements are being continued into 1947 when it is hoped that, despite the continuing shortages of the necessary types of steel, production will be as high as in 1945-46. The practice of setting aside a certain amount of farm equipment for distribution under the Veterans' Land Act has been continued. In 1945-46 almost 18,000 tons of farm machinery was allocated to this purpose, and it is expected that 31,000 tons will be required in 1946-47.

While Canada is a heavy importer of certain types of farm machinery, she is a large producer of other types and traditionally exports a substantial percentage of her production of farm equipment. Export demands during 1946 far exceeded the available supply. From time to time special allocations have been made to provide equipment for the liberated areas and for U.N.R.R.A. to assist in the rehabilitation of agriculture in war-stricken countries. The contracts under these provisions were completed during 1946. Commercial export demand remains very large, but until the shortage

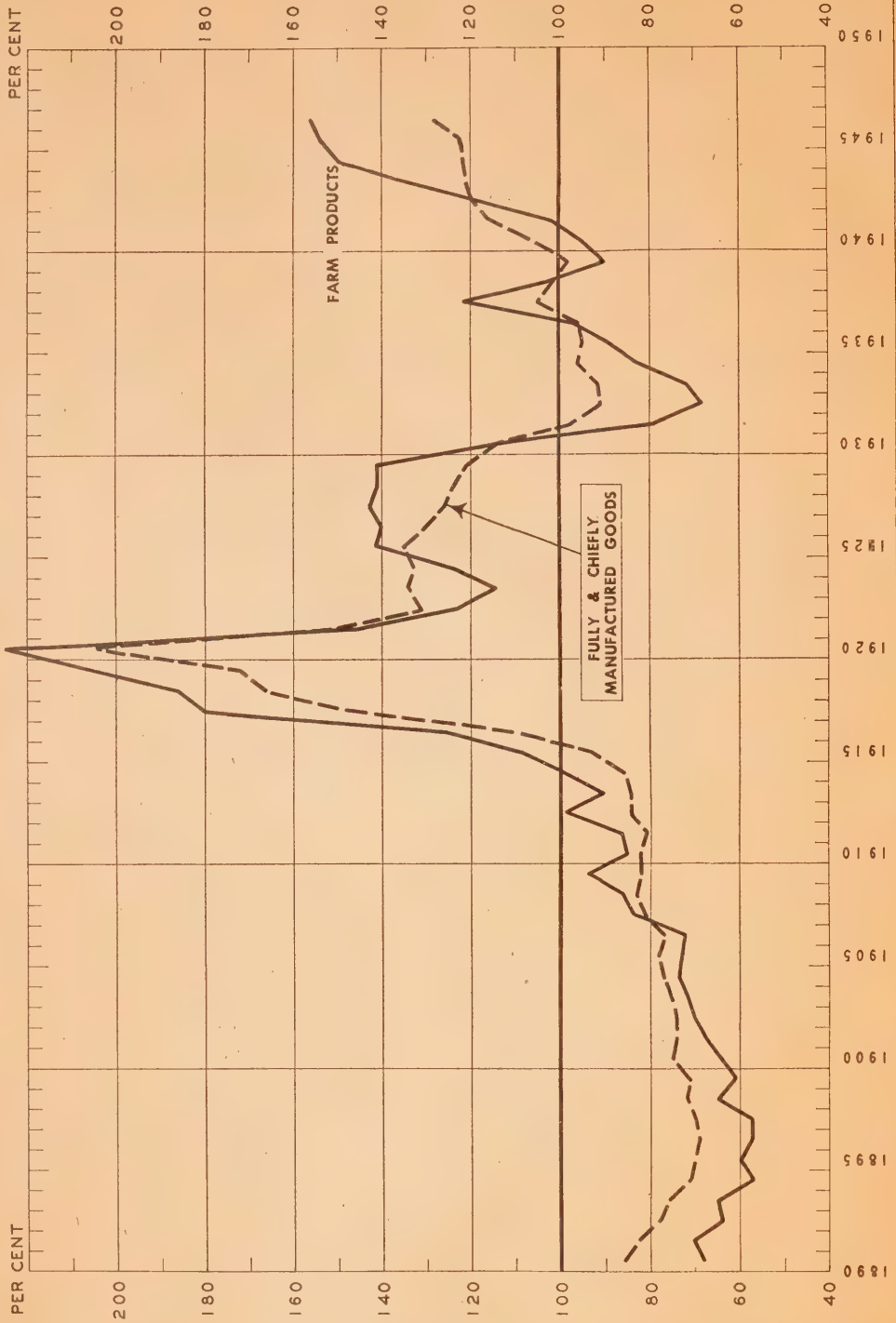
of steel has been overcome it will be necessary to continue restriction of such exports.

In April, 1946, the maximum retail prices of Canadian-made farm machinery and parts were increased by 12½ per cent. Except for a very few minor price adjustments on selected machines for individual companies, this was the first price increase in farm machinery since the basic period. Authority to raise prices was granted because, with the changeover from war to peace-time production, manufacturers no longer appeared to be in a position to absorb the full wartime increase in costs of production. Moreover, some costs had recently increased because of the authorized advance in the price of steel and castings and because of the rising costs of component parts imported from the United States. The price adjustment was limited to the smallest practicable amount and was based on the best obtainable information on the current and prospective operating results of the companies concerned. The fact that export prices were substantially higher than domestic prices was a significant factor in limiting the advance required in the domestic ceiling.

In the case of imported farm machinery, there had been a general price reduction in 1944, following the removal of customs duties and the War Exchange Tax. Late in 1945 the Board permitted prices of imported machinery to rise to the extent of the increase approved by the Office of Price Administration in the United States. As events transpired, the resultant higher prices did not exceed the 1941 basic period prices. In May, 1946, the Office of Price Administration authorized a general increase in maximum prices for all farm machinery and, in addition, authorized specific increases in the prices of some individual items. In order to limit price advances in Canada, importers were only allowed to pass on the dollar increase in landed costs. A few months later the Board required importers to reduce prices to the full extent of the saving resulting from the removal of the exchange premium on United States currency. Thus, the removal of the exchange premium and the earlier removal of customs duties and the War Exchange Tax have been important offsets to the material price increases which have occurred in the United States and the Canadian prices of

CANADIAN WHOLESALE PRICE INDEXES

1890-1939=100



imported farm machinery have in most cases not risen above 1941 levels.

B. FEEDS

The total supply of feeds for the 1946-47 crop year is about the same as in 1945-46, when supplies were scarcely sufficient to meet requirements. The oats and barley crop in 1946 were slightly larger than the 1945 crops but, since the carryover was smaller, the total supply of these grains showed no improvement. While exports of barley and oats have remained subject to permit, somewhat larger quantities have been exported from the current crop than a year earlier. Limited quantities of low-grade and frosted wheat in the Prairie Provinces are, however, available for feeding purposes. Hay production was much lower in 1946 than in 1945. However, some stocks had been retained from the previous year and the total supply may be adequate.

The output of millfeeds, a major by-product of flour milling, rose 10 per cent in 1946 and Canadian supplies are being protected by a tight control over exports. As in the preceding season, the supply of high protein feeds for 1946-47 will probably be short of requirements. Various types of protein meal, a by-product of the crushing of peanuts, soybeans and copra (which were bulk purchased or imported under subsidy as part of the fats and oils program) have helped to sustain the supply of vegetable proteins, but the quantity of animal protein feeds is still seriously inadequate, more especially because of the failure of the pilchard catch on the Pacific Coast.

The main function of the Board in respect to feedstuffs is the maintenance of price ceilings—responsibility for matters concerning supply and distribution and the important related subsidies rests largely with the Department of Agriculture. During 1946 there were no changes in the retail price ceilings for feeds, except in the case of mixed feeds containing fishmeal where a small price increase was authorized. Feed manufacturers absorbed part of a substantial increase in the ceiling price of fishmeal and even this increase was minimized by the payment of a subsidy to the producers of fishmeal whose costs had risen sharply. Ceiling prices of dogfish liver oil and mudshark liver oil were also increased but these advances were absorbed by the feed manufacturers.

C. CONTAINERS

Regulations governing the use of metal containers had been relaxed considerably in December, 1945, by the removal of limitations on the quantities of containers that could be used for packing authorized products. Restrictions on the sizes of cans and the products which might be packed were continued into 1946 and in February these restrictions were tightened as a result of the steel strike in the United States. Two-thirds of Canada's supply of tinplate and blackplate comes from the United States. At the time of the steel strike in the United States the Civilian Production Administration issued strict directions covering the acquisition and use of tinplate, blackplate and containers, and including the imposition of tight export control. In order to obtain the necessary supplies of plate, the Board found it necessary to adopt parallel controls over the use of tin containers in Canada. The regulations in question confined the use of tinplate and terneplate to the manufacture of containers for packing certain essential foods, such as fruits, vegetables, meat and fish and special products, such as medicinals and dangerous chemicals. In addition, the manufacturers of tin mill products were required to give priority to orders for materials to be used in making cans for perishable or seasonable foods, drugs, medicinals and the like. These measures had the effect of promoting an adequate supply of cans despite the limited amount of metal available. With the easing of the steel situation in April, 1946, the regulations were relaxed somewhat by the extension of the list of products which could be packed in metal containers, though limitations were placed on the quantity of containers which could be used in packing certain of these additional products.

Notwithstanding labour disputes and a shortage of lumber, the production of wooden containers greatly increased during 1946. However, the increased acreage devoted to fruits and vegetables and bumper crops, together with the continued heavy requirements for food containers for overseas shipments, caused a general shortage of wooden containers in 1946. To ensure an adequate supply of six- and eleven-quart baskets, the Board arranged for the bulk purchase of some four million basket bottoms to be sup-

plied to manufacturers of fruit and vegetable containers in the Niagara Peninsula at prices appropriate to the ceiling for finished containers.

During the year there were a number of individual and, in some cases, regional price increases to compensate for increased material and labour costs. In July the prices of fruit and vegetable containers made in Ontario and Quebec were raised, and in September the Board authorized regional increases in the price of boxes and shooks manufactured in British Columbia, Ontario and Quebec. The butter box subsidy was cancelled effective April 30, 1946. By the end of 1946 no domestic subsidies remained in the woodenware field.

D. OTHER FARM SUPPLIES

Although a few fertilizer materials, notably potash, were still short during 1946, the general regulation controlling the zoning and distribution of fertilizers, was revoked. By means of subsidy payments, combined with the bulk purchasing of essential materials, the Board had held fertilizer prices to their 1942 levels throughout the war and until the middle of 1946. Indeed, the price structure throughout this period was actually below the general level of prices prevailing during the basic period in 1941. On August 1, 1946, subsidy payments were eliminated and prices were restored to approximately the price levels existing in the basic period. Due to the unusually high cost of materials shipped into the Maritimes, manufacturers in that region continue to receive some subsidy payments made through the Department of Agriculture. As a result the traditional price relationships between that area and Ontario and Quebec are being maintained. Ceiling prices on pesticides other than gopher poison were suspended in January, 1947.

During the summer an acute shortage of tobacco kilns threatened the tobacco crop. Normally, hot rolled sheets are galvanized for use in the manufacture of kilns. Since only cold rolled sheets (a more expensive product) were available at this period, a price adjustment was authorized on a limited production of kilns to enable the manufacturers to recover the increased costs involved in substituting cold rolled sheets.

While hard fibre supplies needed for the manufacture of bindertwine and rope were barely sufficient to cover requirements in 1946, the supply was greatly improved as compared with the war years. Whereas in 1945 manufacturers had had to rely on Mexican sisal (which is relatively expensive and of comparatively poor quality) they were able in 1946 to revert to the use of African sisal in producing bindertwine. Manila fibre for rope manufacture was beginning to come forward in very small quantities and some modification, but not removal, of controls on the domestic use of rope and twine was possible.

Up until the end of 1945 Canada had obtained her share of hard fibres supplied through the United States Defence Supplies Corporation. Although this procedure was discontinued by the United States at the beginning of 1946 no relaxation had taken place in the control of supplies in the sisal-producing areas. Inter-governmental negotiations, therefore, continued to be necessary and the Commodity Prices Stabilization Corporation was able to make bulk purchases of African sisal for Canadian requirements direct from the British Ministry of Supply. Some of the quantity so obtained was exchanged with the United States for small amounts of manila, Haitian sisal and Central American abaca fibre.

In the pricing field the assistance formerly given to the manufacturers of rope to enable them to meet higher fibre costs was discontinued in August, 1946, on the understanding that individual price increases would be granted where financial need could be demonstrated; a 7 cents per pound increase in the selling price of manila rope generally was allowed at the end of the year. On January 10, 1947, all hard fibre products except bindertwine were released from the price ceiling.

With respect to bindertwine, basic period price ceiling remained in force throughout the year and subsidies currently paid on sisal, when used for that purpose, were continued. The reversion to African sisal at first involved some saving in subsidy but, effective June 1, 1946, the cost of this material increased substantially. The cost of this subsidy is currently estimated at from 6 to 8 cents per pound.

V—TEXTILES

Total textile supplies in Canada, domestic and imported, were somewhat larger in 1946 than in 1945, but were insufficient to meet all demands. Shortages persisted in a fairly wide range of important items such as men's suits and shirts, flannelette, children's wear, lining and lingerie fabrics, women's hosiery and many types of underwear though in a number of these cases the position was improving as the year drew to a close.

The continued inadequacy of textile supplies in Canada was in large part a reflection of external conditions. Dependent on imports from United States and the United Kingdom for a substantial portion of her yarns and fabrics Canada experienced considerable difficulty in obtaining sufficient supplies to meet her minimum requirements. Though textile production in the United States was slightly larger than in 1945, it was restricted by industrial disputes and shortages of labour. Moreover, domestic demand in the United States was extremely heavy with the result that supplies available for export were limited, and the competition for those limited supplies at a time of acute world-wide shortage was most severe. The United Kingdom was also faced with enormous and urgent export demands at the same time that her domestic demand was severely restricted by rationing. With a production not yet recovered to the pre-war level, supplies were seriously inadequate and exports remained carefully restricted and controlled.

As in the preceding year, continuous efforts were made to sustain and increase domestic production. While these efforts met with some success, production was impeded by industrial disputes which closed down important mills for some months and by difficulties in procuring necessary imported yarns. Output of cotton fabrics was slightly below the previous year's level. Production of woollens and worsteds was substantially larger than in 1945 and that of rayon fabrics was slightly higher.

In view of continuing shortages of fabrics and yarns, a number of the production directives which had been instituted in 1945 and earlier were continued throughout 1946. It was possible, however, to dispense with some of the

directive programs and generally the system of control became more flexible and less formal. Formal allocations and priorities were in most cases superseded by informal arrangements which were nevertheless reasonably effective. The Board's policy of equitable distribution, which late in 1945 had been amended to permit suppliers of textiles and clothing freedom in disposing of 20 per cent of current supplies, provided greater flexibility in distribution making it possible for new entrants, many of them ex-servicemen, to locate sources of supply. At the same time, the requirement that 80 per cent of current supplies were still to be distributed ratably among established customers helped to assure a reasonable balance of production and a fair geographical distribution. Strict supervision of textile exports had to be continued and export programs, which were drawn up in collaboration with the Department of Trade and Commerce, permitted only token exports of items where domestic shortages were acute. An attempt was made, however, to provide for established markets dependent on Canada, such as Newfoundland and some of the British West Indies, and some increase was permitted in relief shipments.

There were a number of significant price adjustments during the year and more important ones were in process early in 1947. Some subsidies on imported materials were withdrawn and others were reduced with resulting price increases in the fabrics and yarns concerned. In some cases, notably cotton, this involved price adjustments all the way down the line to the finished goods in the retail store. Beyond the manufacturing level the increases were controlled and limited by the establishment of a system of standard maximum mark-ups. In addition to the consequences of subsidy reduction, labour costs increased in some branches of the textile industry to a point where further price adjustments for some garments were necessary. Early in 1947, all remaining subsidies on woollens and worsteds were removed and those on cotton were sharply reduced. This step involves substantial increases for most yarns and fabrics and for most clothing and other textile goods. However, this process of readjustment to a price level related to

actual material costs remains a controlled one. Few textile items of importance were removed from price control in the general step taken toward decontrol early in 1947. Carpets and linoleum were main items released and there were few others of significance.

A. WOOL YARNS AND FABRICS

The supply of woollen and worsted yarns and fabrics available for civilian use increased substantially in 1946. The improvement was the result of a sharp reduction in military and relief requirements, an increase in domestic production and in the case of fabrics, substantially higher imports. Domestic production of worsteds was threatened by a shortage of tops and yarns from the United Kingdom and Australia. To secure additional supplies, tops were permitted to enter duty free from non-Empire countries for a limited period of time and supplies came in from the United States, Argentina, and Belgium. By the third quarter of the year worsted tops production in the United Kingdom was in excess of spinning capacity and it is anticipated that additional supplies of tops will become available from that source in a few months.

Because of the improved outlook in regard to supplies of woollen and worsted fabrics, the formal and comprehensive system of production directives was modified at the beginning of 1946. Instead of directing the production of all woollen and worsted fabrics, the Wool Administration of the Board was charged with the responsibility of directing an increase in the production of any fabric that fell short of the quantity needed by garment manufacturers to produce the quotas specified in the directives to them. By the end of the year supplies of woollen and worsted fabrics were sufficient to warrant the abandonment of the directives to manufacturers of woollen garments except for underwear and hosiery.

For the first few months of 1946 the Canadian Wool Board, following its war-time practice, took up part of the Canadian allocation of woollen and worsted fabrics and yarns from the United Kingdom. For the rest of the year, at the suggestion of the United Kingdom authorities, the whole of the fabric and yarn allocations was made directly available to Canadian importers. The Wool Board continued to buy the special allocation of

fabrics granted to cover the needs of the Canadian suit priority plan for ex-servicemen. At the end of 1946, although deliveries of these fabrics were not complete, the Wool Board was wound up and its remaining activities transferred to the Commodity Prices Stabilization Corporation.

B. RAYON YARNS AND FABRICS

Supplies of rayon fabrics for use in garments increased in 1946 but not enough to meet the full demand. The total supply was much greater than that of pre-war years, but shortages of some fabrics, chiefly for lingerie and linings, were still quite serious at the end of the year.

Insufficient output of fabrics reflected the difficulties of securing needed imports of yarn and staple fibre as well as prolonged industrial disputes in plants supplying essential chemicals and in an important rayon fabric mill. The cancellation by the United States of the system of allocating yarns late in 1945 under which the Commodity Prices Stabilization Corporation had been bulk-purchasing substantial quantities of filament yarns made it impossible to increase the volume of imports in 1946. Thus, even though additional quantities of such yarns had been diverted toward fabric production when nylon became available for hosiery, output of filament yarn fabrics such as those used for linings and lingerie remained inadequate and handicapped garment manufacturers throughout the year. Some relief in the shortage of fibre was obtained by purchases of cut staple fibre from Continental Europe. These purchases permitted an increase in the production of spun rayon fabrics mainly used in the manufacture of women's dresses.

In view of the supply position at the beginning of 1946, it was considered advisable to continue the formal direction of the production and distribution of rayon fabrics. Under this directive program the primary rayon mills were required to supply clothing manufacturers, who were in turn under directives, with enough fabrics to produce their quotas. Later in the year, the system of directives to the mills was made less precise and less formal. For 1947 the mills have been advised to continue the pattern of production and distribution of the past year.

C. COTTON YARNS AND FABRICS

The total supply of cotton fabrics was slightly lower in 1946 than in the preceding year but owing to the virtual elimination of military needs, the available civilian supply increased by about 7 per cent. Domestic production of broadwoven fabrics was down about 3 per cent and imports were only slightly higher than the previous year's restricted levels. Production in Canada increased in the early part of the year, but during the summer labour disputes tied up about 35 per cent of fabric production and 20 per cent of yarns normally produced for sale to other manufacturers. These stoppages produced serious shortages in some lines, including flannelettes, bag cloths and work clothing fabrics.

Uncertainties at home were accentuated by uncertainties abroad. Supplies of fabrics from the United States, which since 1943 had accounted for about 40 per cent of the total supply for use in Canada, were only slightly larger than the restricted shipments of 1945 and imports from the United Kingdom, the main pre-war source of supply, were even smaller than in 1945. Imports of yarn from both countries were little larger than in 1945, though there was a material improvement in the latter part of the year.

Supplies from the United States were dependent in part upon the course of the U. S. Government controls over prices, allocations, and exports. During the early part of the year, the U.S. authorities responsible for allocations of cotton yarns and fabrics were not able to implement fully their allocation to Canada, partly because U.S. exporters doubted that the Canadian market would be a permanent one for their products and partly because they were permitted to charge higher prices when exporting to other countries. In September, 1946, after lengthy representations through the U.S. Government authorities the price situation was partially rectified, but by that time the whole price control program in the United States was so uncertain that supplies were difficult to obtain. When price controls there were finally abandoned it became possible to place orders fairly freely, though at substantially increased prices, but deliveries were slow and some goods which should, according to allocations, have been available to Canada six or nine

months ago have not yet arrived. Shortly before the end of 1946 the U.S. authorities announced the end of their system of export allocations and priorities.

During the year, there was some indication that supplies from the United Kingdom might increase though this prospect was again postponed by developments at the end of 1946. The Canadian allocation of fabrics was increased slightly from the extremely low level to which it had been cut in the face of shipping difficulties in 1943, and the U.K. authorities established a "free pool" out of their gradually increasing production from which Canadian importers like those from other countries were permitted, subject to certain restrictions, to take what they could. These developments did not begin to restore the fabric supplies available from Britain to anything like their pre-war level, but they did offer some hope to importers who, since 1943, had been largely or entirely cut off from their normal sources of supply in Lancashire. However, this improving prospect was again altered at the end of the year when the U.K. authorities announced that their severe clothes ration would be relaxed and that exports would have to be reduced drastically.

In the face of such difficulties and uncertainties, the Board continued the war-time practice of making special purchases in the United States on government account where necessary to ease particularly serious shortages or to take advantage of offerings not normally available to the Canadian trade. For example, among the cotton goods purchased by the Commodity Prices Stabilization Corporation during the year were a quantity of cotton thread badly needed to meet a serious shortage early in the summer and a considerable yardage of knitted fabrics suitable for children's underwear. A substantial quantity of fabrics suitable for shirts and children's wear was also secured for early 1947 requirements.

D. GARMENTS

In view of the persisting shortages of fabrics and yarns, it was necessary to continue in modified form the existing directive program for essential garments during 1946. New directives were issued covering the production of men's suits and shirts, work clothing of both cotton and wool, children's garments of many kinds, women's lingerie and certain types

of dresses, and a whole range of knit goods for men, women and children including outerwear, underwear and hosiery. The directive covering men's coats was dropped for the first half of the year, but was re-introduced in the summer when the heavy production season began.

In 1945, when the majority of them were introduced, the directives to clothing manufacturers were supported by a system of "fabric purchase authorizations". in the case of woollen and worsted fabrics. These entitled manufacturers to the fabrics required in the garments they were directed to produce. However, by 1946 the fabrics were apparently flowing in adequate quantities into the desired channels, and this system was dropped and fabric manufacturers were advised or directed to look after the needs of the clothing manufacturers working under garment directives.

Under these modified controls the output of garments under directive, though retarded at times by the effects of industrial disputes and of shortages of materials, showed some improvement during the year. In the case of woollen garments production in most instances substantially exceeded the directive quotas. Shortages of cotton fabrics, however, impeded the production of some cotton garments, such as shirts and children's wear. Despite the difficulties in connection with supplies of some rayon fabrics, the directives covering rayon garments were reasonably successful.

By the end of 1946 the supplies of certain fabrics, particularly woollens and rayons, had improved to the point where the related garment directives could be terminated. Accordingly, manufacturers of these garments were simply advised, for 1947, to continue their previous pattern of production and distribution. Formal directives were also discontinued in the case of manufacturers of garments, such as shirts and children's wear, using woven cotton fabrics; but here the reason for the change was not the assurance of future fabric supplies, but rather the complete lack of assurance, having regard to the ending of U. S. allocations and adverse developments in the United Kingdom. The only directives continuing into 1947 in their original form are those covering knitted underwear and hosiery.

The rapid rate of demobilization in 1945 and the first part of 1946, resulted

in acute shortages of men's clothing. The special priority system, under which each serviceman when discharged was provided with a certificate entitling him to priority in the purchase of a suit, was continued through 1946. In July, demobilization was tapering off and the regulations requiring manufacturers to set aside 35 per cent of their production for delivery against priority certificates were rescinded. The issue of priority suit purchase certificates was continued until October 30, 1946, and retailers and merchant tailors were required to honour the certificates up to the end of the year. By the 1st of December, 537,000 suits had been provided under this system. It successfully filled an extraordinary demand for suits. Moreover, many retailers gave informal priority on coats, shirts and socks to certificate holders.

Arrangements were also made to secure the maximum production of men's shirts. Early in 1946, the Board's directive program was strengthened by prohibiting manufacturers from using shirting materials for any other purpose so long as they were not fully meeting their quotas under directive, and later in the year directive quotas were increased. Special supplies of fabrics were made available to shirt manufacturers by arranging to obtain a larger proportion of the Canadian allocation of cotton fabrics from the United States in shirting material. The Board further directed that manufacturers might not hold in inventory more than one month's production of shirts and special arrangements were made to insure the best use of inventories of fabrics held by manufacturers. Finally, a price increase was authorized which in part was designed to encourage the production of the lower-priced shirts. These measures helped to sustain and increase the production of shirts in face of difficult supply conditions.

In knit goods, as elsewhere, there were continuing shortages of cottons, but woollens and rayons were in better supply. The worst shortages occurred in cotton, and light wool and cotton, underwear and these arose chiefly from difficulties in obtaining supplies of fine knitting yarns not made in Canada. Production of women's hosiery was seriously retarded during the spring and summer because of unforeseen technical difficulties in changing over from rayon to nylon, but as the year drew to a close production increased

and supplies of hosiery improved considerably. Knitted outerwear and heavy woollen underwear for outdoor workers were in fairly good supply.

The final standardization and simplification restrictions applicable to textiles were withdrawn during 1946. In March, the order limiting a manufacturer to 50 styles each season was revoked. The only remaining restriction of this type was one limiting the use of fleece fabrics to essential garments.

E. PRICE PROBLEMS AND SUBSIDIES

There were many pricing problems in regard to textiles and clothing during 1946 and running into 1947. For the first time since the price ceiling was established, widespread and significant advances were authorized in textile prices, as indicated by the $7\frac{1}{2}$ per cent increase in the official index of the retail prices of clothing during the year. The reasons for this upward adjustment in the textile price structure, which is still in process, have been twofold. In the first place, stability of prices from the establishment of the ceiling until the beginning of 1946 had involved the payment of substantial and increasing subsidies applying in varying degree to most imported textile fibres and materials and in a few cases to the domestic manufacture of yarns and fabrics. With the war over, a process of gradual reduction and elimination of these emergency subsidies began and by the early part of 1947 most textile subsidies, except a much reduced subsidy basis for imported cotton and cotton goods, had been removed. This process involved more or less corresponding price increases throughout the whole structure of textile prices, from the yarns and fabrics right down to the clothing and piece goods on the retail counters. In the second place, the textile industry like other industries was faced with a serious problem of higher costs, resulting from wage increases, a continued high turnover of labour, and other factors. In most branches of the industry, the accumulation of such cost increases reached a point where price adjustments were necessary. Thus in addition to price increases authorized as a result of subsidy reduction, there were a number of other advances particularly in the clothing and needlework trades.

In the sphere of woollens and worsteds, considerable progress was made during

1946 towards a return to a price level reflecting actual raw material costs, and by the end of January, 1947, all subsidies had been eliminated. The first steps in this direction were taken in February, 1946. Following some recession in prices in Empire raw wools late in 1945 it was decided that no further import subsidies would be approved on raw wool, oil-combed tops from the United Kingdom, or dry-combed tops from Australia, our normal sources of supply. Other imports of tops still required some subsidies. The domestic subsidy on worsted yarns was cancelled as of March 1, 1946 and that on worsted fabrics on the 1st of April. At the same time fine woollen yarn and fabric ceilings were adjusted to compensate for subsidy removal. The increase in ceilings had the added effect of reducing the remaining import subsidies, though the reduction which might have been expected was not fully realized because of increases in external prices of wool and worsted goods following the termination of the Empire wool purchasing agreements late in 1946. Higher ceiling prices on clothing and manufactured goods, necessitated by increased fabric prices, did not go into effect until the June 1, 1946, the time lag being designed to minimize the possibility of inventory profits.

Early in 1947, it was decided that, in view of the improving supply position, the time had come to cancel all remaining subsidies in the wool field. This action increased the cost of certain imported goods, particularly worsted fabrics, and in most cases added to the costs of producing domestic yarns, fabrics and knit goods. While no general increase in the domestic ceilings on woollen and worsted fabrics has yet been authorized, an upward adjustment is unavoidable.

In rayon and rayon goods, relatively few price adjustments occurred and subsidy arrangements continued largely unchanged until the final month of the year. In December, however, the first important step was taken toward removal of subsidies when all fabrics of more than 50 per cent rayon were made ineligible for subsidy except when imported for use as linings in the manufacture of clothing. Imported rayon fabrics form a relatively small part of the total Canadian supply and in general are used in the manufacture of higher-priced clothing and home furnishings.

Though two steps toward the removal of cotton subsidies have been taken, the last one on February 1, 1947, being of major proportions, a considerable subsidy still remains. The subsidized cost of U. S. cotton to the Canadian mills is now approximately 24.4 cents per pound while the laid-down costs of such cotton in Montreal on the basis of the recent market prices in New York would be around 28 or 29 cents.

The basic subsidy in the cotton field is the import subsidy on raw cotton. When the overall price ceiling was imposed in 1941 the prices of machine knitting yarn and cotton fabrics had advanced more or less in line with the rising American raw cotton quotations while the retail prices of finished cotton goods were generally related to the lower prices of primary textiles which prevailed some months earlier. Thus the Board faced the alternative either of allowing a general increase in the prices of cotton textiles which at the time would have been extraordinarily difficult if possible at all to control, or of reducing the prices of yarns and fabrics. The latter course was chosen and the fabric ceilings were "rolled back" to the levels prevailing in February, 1941. In the case of machine knitting yarns the "roll-back" was eventually based on the level of June, 1940. While this action did not involve the immediate payment of subsidies on raw cotton, it was recognized that, as inventories purchased at lower prices were used up and replaced in a rising market, subsidies would become necessary. The Commodity Prices Stabilization Corporation, therefore, entered into a series of agreements with the primary cotton mills under which the Corporation agreed to subsidize raw cotton going into the production of domestic civilian goods down to a schedule of basic prices appropriate to February, 1941, yarn and fabric prices. For their part, the cotton companies agreed not to claim subsidy beyond an amount that would bring their annual profits up to 116-2/3 per cent of standard profits. Because their inventories were large and their profits were generally such as to preclude subsidy claims under the agreement, no substantial subsidy payments were required until 1944. By that time, low cost inventories had been used up and in 1945 profits were further affected by the reduction in war contracts. By the end of 1945, the world

price of raw cotton had risen to a level nearly double the subsidized basis of about 11.4 cents per pound for U. S. cotton.

Early in 1946, the first step was taken in bringing the Canadian price level for cotton goods more in line with actual raw material costs. On the 1st of March, the base on which subsidy was calculated was raised by 4 cents per pound, increasing the cost of U. S. cotton to Canadian mills to about 15.4 cents per pound. The advance in the cost of raw cotton involved a general increase in the ceiling prices of cotton yarns and fabrics, spreading out to affect the prices of most finished cotton goods. In most cases, the secondary manufacturers using cotton yarns and fabrics were permitted to add the increased cost to their ceiling prices. These price increases were in turn controlled down to the retail level by the use of specified markups.

At the time the basis of subsidy was changed, it meant a reduction in payments of about one-third. However soon after the change, a sharp increase took place in raw cotton prices in the United States which soared to a high point of 40 cents per pound in October, 1946, and though the market declined subsequently to around 30 cents, the anticipated saving was completely wiped out and the cost of subsidies considerably increased. After long consideration, the Board was authorized by the Government to raise the basis for subsidy on February 1, 1947. While the world price of cotton had fallen from its peak, it was still not far from double the subsidized cost to Canadian mills of 15.4 cents and there was little if any prospect of the market falling to this level in the reasonably near future. It is true that futures prices on the New York market were materially lower than spot prices. But the U. S. support price was over 24 cents and in all probability would be somewhat higher in the coming season. With these factors in mind, the base price for subsidy purposes was raised 9 cents to 24.4 cents per pound. Like the previous increase, this adjustment necessitates general increases in the whole ceiling price structure for cotton and cotton-mixed textiles, clothing and home furnishings. The increases will inevitably be substantial, more particularly since they are associated with certain other adjustments based on the financial position of the

primary mills and the knitting mills. In general, the readjustment is likely to result in price increases for cotton apparel at the retail level in the neighbourhood of 25 per cent though it will be some time before the change becomes fully effective.

In addition to the price adjustments on clothing which were authorized during 1946 as a result of subsidy reductions, some increases were also required in view of advances in other costs, and particularly labour costs. The adjustment of prices of men's shirts, pyjamas, and fabric underwear in April, 1946, of 10 per cent on the lower-priced lines and 5 per cent on more expensive lines gave some recognition to this factor as well as to the effects of subsidy reduction. The

effect of increased labour costs was also an important element in the adjustments in the prices of men's and boys' clothing ranging from $5\frac{1}{2}$ per cent to 9 per cent authorized in June and in those of children's clothing in July. In the fall, manufacturers of women's coats and suits, and of women's, misses' and children's wear were permitted to add moderate percentages— $3\frac{1}{2}$ per cent in the first instance and 5 per cent in the second—to their applications for price fixations, again because of the effects of higher labour costs on their financial position. In December, an 8 per cent increase was authorized in the prices of work clothing for similar reasons.

VI—HIDES LEATHER

During the early part of 1946, the supply of domestic and imported hides, skins and leather was, on the whole, satisfactory. As a result of the heavy slaughterings of cattle in 1945, domestic cattle hides were plentiful and the contract to export a substantial quantity of hides to the United Nations Relief and Rehabilitation Administration and liberated countries was fulfilled. Imported supplies of skins were adequate as Canada was able to purchase practically all the allocations received from the International Hides, Skins and Leather Committee.

Future supplies seemed fairly well assured. Domestic slaughterings continued at a high level and the International Committee was still controlling the foreign market, allocating the exportable surpluses of skins, hides and leather on the basis of each country's pre-war purchases. This reasonably good supply position, together with the reduction in shipping costs and the cancellation of the War Exchange Tax, led to the cancellation of subsidies on all imported cattle hides and tanning materials, without any corresponding price increases, effective March 1, 1946.

The fairly settled outlook for the immediate future was, however, disrupted towards the middle of the year. The International Committee lost control of world supplies and prices because of strong bidding in world markets by non-member countries who had received no allocations. The Committee disbanded

late in June, 1946, and immediately prices of foreign skins increased substantially, in some instances by more than 150 per cent. With the termination of allocations through the Committee, imported supplies were uncertain for some months. About the same time the domestic supply of cattle hides also began to tighten. Cattle slaughterings began to decrease and tanners started to draw on inventories. Additional cattle hides could now only be imported at prices much higher than domestic prices. The Board, therefore, was faced with the alternative of subsidizing necessary imports of cattle hides or of allowing price increases both to tanners and to manufacturers. It was decided that price increases in leather and footwear were at that time inadvisable and, accordingly, in November, 1946, the Board agreed to subsidize the import of a limited quantity of heavy cattle hides until the supply position became clearer. At the same time an export program to maintain traditional markets while conserving domestic supplies was drawn up.

In January, 1947, after further review of the outlook for domestic cattle hides, leather and footwear, the decision was reached that the domestic supply of hides would probably be just about sufficient to meet domestic requirements for leather. Accordingly, no more imports are to be subsidized and, after March, 1947, it is intended that exports, whether of leather or footwear, will only be permitted to the extent that cattle hides are imported.

Price ceilings on cattle hides (also horse hides and calf and kipskins) were increased in January, 1947, by about 20 per cent, but they are still below prevailing prices in the United States; leather prices were raised approximately 17½ per cent in view of the hide increase and other increased costs in the tanning industry.

While cattle hides provide the greater part of the leather used in Canada, other lighter leathers are used for gloves and other garments, linings and uppers for footwear, and many other purposes. These leathers are made from various types of skins—calf, goat, kid, sheep, lamb, etc.,—and are mostly imported, from a wide variety of sources—India, East Africa, South Africa, New Zealand, U.S.A., and several South American countries. While the allocations of the International Committee lasted, Canada was able to secure reasonable quantities of most types at reasonable prices. But later prices rose steeply, and while supplies which had been held off the market were now offered for sale, Canadian purchasers had no assurance of obtaining their share. In some cases, such as New Zealand calf skins and pickled sheep and lamb skins, bulk purchases by the United Kingdom have made the task of Canadian importers more difficult. By the end of 1946, however, some slight recession of prices had set in, and the supply situation had clarified.

The higher world prices which Canada has now to pay for sheep skins and goat skins have increased the subsidy costs of these imports. In addition, the rapid rise in prices made it necessary to subsidize sheep skin and goat skin leather, and also various types of skins and leathers used in the manufacture of gloves, which had, for the most part, previously been im-

ported without subsidy. The subsidy paid to the domestic tanners of gloves and garment leather had been discontinued in February, 1946, and corresponding price increases permitted.

Based on the good supplies of leathers available during the earlier part of the year, and the high level of domestic demand, the Canadian footwear industry far exceeded all previous production records in 1946. Production of leather footwear rose from 39 million pairs in 1945 (a record up to that time) to 44 million pairs in 1946. Domestic supplies of men's civilian footwear were 1.2 millions higher, offsetting a decline of about the same amount in military footwear. Exports rose from 1.3 million pairs in 1945 to an all-time high level of 3.1 million pairs. The largest part of the exports went to the British West Indies and Newfoundland, but nearly a million pairs went, under the auspices of U.N.R.R.A., to Eastern European countries including Greece, Yugoslavia and Czechoslovakia.

During 1946, the companies continued to make the 3 per cent surcharge which had been in effect since 1944. In the latter part of the year rising costs, particularly that of imported leather, caused considerable difficulty to the industry, and numerous firms were in a position to seek price adjustments on the grounds of financial necessity. About half the firms in the industry were granted price increases ranging from 8 per cent to 10 per cent. In January, 1947, a general adjustment of 11 per cent on men's footwear and 9 per cent on women's footwear was allowed on the basis of the increased cost of leather.

In August, 1946, manufacturers of luggage were authorized an increase of approximately 6 per cent on the basis of financial need, and in January, 1947, ceiling prices were suspended on luggage.

VII PULP AND PAPER

During 1946 the major problem facing the Board in the sphere of pulp and paper was to assure sufficient supplies for domestic use and to adjust prices in view of changing conditions at home and abroad. Domestic demand for all classes of pulp and paper products, particularly those used for packaging and building, was unusually high. At the same time, external demand was very heavy and the prices

offered in world markets were considerably higher than in Canada. Thus, though production was at a high level, it was necessary to continue allocation and distribution controls over basic items of pulp and paper to protect domestic supplies. These included woodpulp, most types of paper, paperboard, some converted paper products, and shipping cases. While there was no formal system of

domestic allocation for pulpwood, control over exports had to be retained.

A. PRICES

Certain changes in pulp and paper prices were authorized during the year. Following an intensive examination of operating results, an upward adjustment in price ceilings averaging about $7\frac{1}{2}$ per cent at the producer level was authorized in April, 1946, for all pulp and paper items except newsprint. Up to that time no price increases had been permitted on these products since the inception of the price ceiling and the authorized advances gave some recognition to the substantial increase in the cost of wood and labour which had occurred during these four and one-half years. In January, 1947, further price adjustments were permitted in order to take account of increases in labour and other operating costs and to reduce the gap between domestic and foreign prices. Ceiling prices on most grades of pulps and their products were raised by an average of approximately 10 per cent. Maximum prices on waste paper were increased slightly in line with the new pulp prices and to meet higher costs of sorting and packing. At the same time ceiling prices were removed for a further list of items, the most important being dissolving pulps and grades of pulp used for the manufacture of newsprint; certain special items in fine papers and paper-board, and all converted paper products.

In May, 1946, manufacturers' prices of newsprint were suspended from the provisions of price control subject to the understanding that the Canadian prices would not be raised above the level which would maintain the historic differential between prices in the United States and Canada. At the time of suspension, prices in Canada were \$9 per ton below this level as a result of the two price increases authorized by the Office of Price Administration in the United States in March, 1945, and January, 1946, and which were not reflected in Canadian ceiling prices. Accordingly, prices in Canada rose by this amount. Wholesalers and distributors of newsprint were permitted to pass on the increase in manufacturers' prices to their customers but were limited to their basic period mark-ups.

B. NEWSPRINT AND PULPWOOD — SUPPLIES AND DISTRIBUTION

There was a further increase in the cut of pulpwood in the winter months of 1945-46 and as a result the production of woodpulp and newsprint increased substantially. Total production of woodpulp was nearly 6,500,000 tons in 1946, representing an increase of 16 per cent over the previous year. Output of newsprint in 1946 at about 4,150,000 tons was the highest on record, being some 27 per cent greater than in 1945, and about 44 per cent in excess of 1939.

Allocation of Canadian newsprint production to export markets and all associated controls had been discontinued at the end of 1945,* but arrangements were continued to ensure domestic supplies of newsprint. The permit system controlling the use of newsprint and other print paper was replaced at the beginning of the year by direction of distribution from the mills. On May 1, 1946, when manufacturers' ceiling prices for newsprint were suspended, this formal direction of distribution was replaced by an informal arrangement under which the mills continued to offer as a minimum supply to existing Canadian customers the quotas established by the formal directives. In addition, the industry undertook to make available to the Canadian market as a whole an equitable percentage—in effect about 7 per cent—of any increase in supply which became available from Canadian mills for sale in Canada and the United States. This arrangement has been fully implemented and is being continued until June 30, 1947.

As in the case of newsprint, allocation of shipments of woodpulp to all external markets was discontinued on December 31, 1945. Because of the heavy external demand which if given free rein could have gravely reduced and distorted the balance of the Canadian output of pulp and paper products, allocation of all grades of pulp for domestic use was continued throughout 1946, and increases were allowed when necessary and feasible.

Newsprint sold by manufacturers and those grades of woodpulp on which maximum prices were suspended in January, 1947, automatically ceased to be subject to equitable distribution controls. Sup-

* Described in W.P.T.B. Report, Jan. — Dec. 1945, p. 35.

pliers of these types of woodpulp which remained under the price ceiling and of newsprint paper sold in sheets or rolls were permitted freedom of distribution with respect to 20 per cent of their current supplies for the domestic market.

C. OTHER PAPER CONTROLS

Though total production of paper and paper products was at a high level, there were many problems of obtaining sufficient output of needed types and assuring effective and equitable distribution. Special attention was given to the heavy needs of construction and housing and to those of food for shipment abroad as well as to the domestic market. Various forms of distribution control were therefore continued, and paper-boards, brown or wrapping paper, some converted paper products, and shipping cases remained subject to distribution directives during the year.

In view of the shortage of jute and cotton bags for agricultural products and

the increased need for bags to pack building products such as cement, it was necessary to double the output of multi-wall paper sacks. Since the capacity to produce the kind of paper required for this purpose was limited, a substantial amount of brown paper was diverted from use for wrapping to production of these sacks.

The supply of waste paper remained inadequate to meet the domestic demand even though some mills were able to import small quantities from the United States. The Board, therefore, continued to allocate waste paper supplies to the various users, and where necessary gave special consideration to the needs of mills producing products for housing construction and other essential uses. While collections of waste paper have been well maintained, aided by salvage campaigns organized by the consuming industry, the total supply is still short of requirements and the system of allocation is being continued.

VIII LUMBER AND CONSTRUCTION PRODUCTS

In spite of many obstacles to production the supply of building materials continued to increase during 1946 but was still insufficient to meet the requirements of the large scale housing program and other building demands. Labour shortages limited production in many cases, and industrial disputes reduced the output of some products, especially structural steel, other building materials composed of steel, and to a lesser degree lumber.

The Department of Reconstruction and Supply, which is the government agency chiefly concerned with the construction of housing, established a minimum target of 50,000 new housing units for 1946, 2,000 more than were completed during 1945. Since the level of construction during the 'thirties was very low, the requirements of the housing program have taxed the capacity of the building materials industry to produce a number of the essential materials.

An inter-departmental committee, on which the Board is represented, continued to deal with current supply difficulties for all building materials, to plan steps for increasing building supplies, and to co-ordinate the activities of government

agencies relating to housing and building materials.

The distribution of construction products generally remained subject throughout 1946 to the "Policy of Equitable Distribution" under which manufacturers and wholesalers were required to distribute goods in short supply in proportion to their 1941 sales to each customer. However, cement supplies, including portland, mortar and waterproofing cement, were removed from this control in August as the resumption of road building had made the 1941 distribution pattern no longer appropriate. By the revision of this equitable distribution policy in January, 1947, suppliers of a number of building and construction materials were allowed freedom of distribution with respect to 20 per cent of their current supplies; the remaining 80 per cent continued to be subject to the rules of equitable distribution. Items thus affected included builders' hardware, plumbers' brass, cast-iron soil pipe, and plumbing and sanitary equipment. In addition, articles on which price ceilings were suspended in January, 1947, such as paints and varnishes, automatically became completely free of equitable distribution controls.

A. LUMBER

During the winter and spring months of 1946 the level of woods operations across Canada continued high and gave indications of improvement in the lumber supply. In May, however, a labour dispute brought about a virtually complete stoppage for over a month in the British Columbia lumber industry, the effects of which were widely felt. Following resumption of work in that area production rose to high figures and total output in Canada for 1946 should approximately equal or slightly exceed that for 1945.

The demand for lumber both in the domestic and export markets has remained seemingly insatiable. The maintenance of export control has resulted in a somewhat larger proportion of the total output being retained in Canada than before the war, in spite of the fact that external prices have been rising steadily with a further widening in the spread between them and controlled domestic prices. The pull of high export prices together with the heavy domestic demands and rising costs of production resulted in intensified pressure against the domestic price ceiling. Enforcement of price control inevitably became more difficult. There has been a tendency to short-circuit normal trade channels. The Board strengthened the system of inspection and enforcement to curtail black market activities, but the shortage of competent and experienced investigators has added to the difficulty of the task.

In the course of 1946, there were a number of price adjustments applying to lumber and lumber products. They were necessitated by increased costs of production, inadequate output of certain lines, and by difficulties in distribution and grading. A major change in ceiling prices was made on the 1st of April, when a general increase of 8 per cent in the mill and wholesale prices of both soft and hard woods was announced. No increase was permitted in retail prices except to the extent that retailers had previously passed on to consumers the benefit of the removal of the 8 per cent sales tax in May, 1945. The adjustment in manufacturers' ceilings, therefore, placed retailers in the same position with respect to margins as was the case prior to May, 1945. Later in the year higher maximum prices were authorized on British Colum-

bia red cedar shingles in view of substantial increases in the cost of logs and higher wage rates. This adjustment, effective in October, amounted to approximately 20 per cent.

For some time production costs of hardwood flooring manufacturers had been rising as a result of increases in hardwood lumber prices, higher processing and transportation costs and increased wage rates. In the spring of the year producers were faced with further additions to their costs arising from the 8 per cent increase in lumber prices and the introduction of a shorter work week. In these circumstances and in view of the necessity of obtaining maximum output of hardwood flooring for the housing program, an upward adjustment of approximately 13 per cent in the prices of maple, birch and elm flooring was permitted effective in May. The production of oak flooring was resumed during the year. Since the costs of lumber and of manufacturing were substantially higher than in the basic period, the Board authorized manufacturers in August, 1946, to increase their maximum price for oak flooring over the 1941 level to the same extent as had been permitted on birch and maple flooring since 1941.

In November, retail prices of lumber were adjusted upward in an area in Northern Ontario comprising the towns of New Liskeard, Haileybury, Timmins, Kirkland Lake and their adjacent territories. Retail ceiling prices in this area were generally established below the level for the remainder of the province since dealers close to the source of supply were formerly able to buy below wholesale ceiling prices. With the increase in demand, however, these dealers could no longer buy below the ceilings and following an examination of their financial situation the retail ceilings were raised to those established for other parts of Ontario.

During the year several revisions were made in price ceilings designed to secure more widespread distribution of certain types of lumber. One concerned Maritime lumber, where in May, 1946, the method of establishing maximum prices was changed from a delivered to an f.o.b. mill basis. Under the previous delivered prices, the amounts included for freight were only sufficient to cover transportation within the Maritime Provinces and consequently there was little incentive for dealers to ship outside this region. An-

other revision related to Pacific Coast white pine lumber and permitted manufacturers to add freight charges based on the full shipping weight. Formerly, freight charges in excess of specified shipping weights for such lumber could not be charged to the buyer. However, because of the heavy demand, lumber is frequently not held for thorough drying and to continue limiting freight charges to specified weights would have reduced shipments to distant buyers.

In the course of the year there were various minor adjustments in lumber ceiling prices, designed in part to aid enforcement and check abuses. In February 1946, standard maximum prices were established on sales of hardwood lumber from the Vancouver Forest District. These uniform prices which replaced those previously in effect under price fixations, also gave effect to a price increase to compensate for a reduction in export quotas. In March ceiling prices on certain types of softwood lumber were adjusted by reducing or eliminating differentials on special grades or types to check abuses through up-grading.

Prices of millwork had generally been maintained at substantially basic period levels despite rising costs of labour, lumber, glass and other component materials. During the year, however, the Board made two important adjustments to offset higher costs of production and to encourage the output of items urgently required for the housing program. In November, 1946, ceiling prices of doors, screen doors and windows, and door and window frames were increased 20 per cent and a 25 per cent increase was authorized in the price of sash. The adjustment made at this time did not apply to hollow slab veneer doors which had received special treatment earlier in the year. In the previous April the Timber Control had made arrangements for the production of a substantial quantity of these doors which had been off the market for some time because of the low basic period prices established for them.

B. OTHER CONSTRUCTION PRODUCTS

Production of a number of construction materials was greater in 1946 than in 1945. By the end of September, 1946, more cement had been produced than in the full year of 1945. Brick production in

1946 was somewhat larger than in 1945, although labour shortages continued to hamper this industry, and output of structural tile was nearly 40 per cent higher. The supply of rockwool increased substantially in 1946 and the production of gypsum wallboard continued at a very high level. Output of metal building supplies was seriously impeded as a result of industrial disputes, in some cases directly and in most cases through the consequent shortages of fabricated metals. More warm-air furnaces were produced than in 1945 but output was still short of requirements. The supply of builder's hardware was somewhat less than in the previous year. Cast iron soil pipe and fittings were also scarce though there was some increase in production. The most acute shortages were in steel pipes and fittings, wrought iron pipes and tubes, nails and spikes.

During the year, costs of producing most building supplies increased considerably as a result of wage increases, higher prices for some materials, and irregular deliveries and shortages. Numerous individual and local price adjustments were necessary in regard to brick, sand, gravel, crushed stone and building lime. Higher maximum prices were authorized on soil pipe. Production costs had risen substantially because of the shortage of iron scrap which involved the substitution of more expensive pig iron, because of the authorized increase in the price of iron, and because of increased labour costs. The subsidy which was in effect up to April, 1946, was discontinued.

Early in 1946 an increase of 5 per cent was authorized in the prices of plumbers' brass and a further increase of about the same amount was permitted later in the year. The first adjustment proved insufficient, partly because some of the producers who had expanded their facilities during the war found that because of the acute shortage of materials they were unable to maintain an efficient rate of production. The maximum prices of builders' hardware were also raised during the year. Some companies had discontinued the production of loss lines while those manufacturers who had maintained production were in a position to demonstrate financial need. A 10 per cent increase was therefore granted on the lower-priced lines in order to provide needed relief to those manufacturers who were continuing to produce them and to en-

courage their production by other companies.

Manufacturers of paints and varnishes found their costs increased as a result of the advance authorized in August, 1946, in the price of linseed oil. Selling prices of paints and varnishes had been below legal ceilings since May, 1945, when the 8 per cent sales tax was removed from building materials. Following the increase in the price of linseed oil, the industry raised its prices to legal ceilings.

Towards the end of 1946, an additional criterion was admitted in pricing supplies which were urgently needed for the housing program. When the Minister of Reconstruction and Supply advises that a particular building product is in critically short supply, the Board is prepared to consider authorizing an increase in prices to induce additional production, even though the increases may not be warranted on the basis of overall financial need. In making this change, it was recognized that each such case would require careful investigation to ensure that price adjustments would in fact result in additional production without seriously decreasing the production of other important lines.

In January, 1947, a major step was taken towards the removal of price con-

trols over construction products. The more important items released from price control were gravel, sand, cinders, stone, bricks, tiles and other clay building materials, cement and concrete, asbestos and asphalt roofing and siding materials, roofing and flooring felts and building papers, building products fabricated from sheet metal, wire screen, sheet glass, glazing compound and paints and varnishes. Clay building materials and gravel, sand, cinders and stone are largely local operations and control of such prices constituted a heavy administrative burden. A variety of price applications were being received which involved a disproportionate expenditure of time on the part of a limited trained staff and since production was increasing and competition developing the Government decided on decontrol. While price increases may follow in the case of some of the other products released from control, they will frequently not exceed the advances which would have been necessary if price control had been continued. At the same time, producers will be free to correct anomalies in their price structures which may possibly result in some improvement in the pattern of production.

IX. METALS

The shortage of some metals persisted throughout 1946 and in some cases, particularly iron and steel, was seriously aggravated by the effects of industrial disputes, first in the United States (steel and coal), and later in Canada (steel and copper fabricating). Some of the controls which had been removed late in 1945 when the Wartime Industries Control Board revoked its regulations regarding the supply of primary metals, had to be reimposed. Early in 1946, the Steel Control was re-established under the Department of Reconstruction and Supply, and throughout the remainder of the year the Controller directed production with a view to securing the maximum output of finished products.

There were a number of price and subsidy developments. The shortage of steel and iron and steel scrap necessitated certain special subsidy arrangements. Relatively permanent increases in production costs of substantial proportions led to a

general increase in the maximum prices of basic steel products. The widening spread between the controlled domestic prices and external prices of copper, lead and zinc encouraged a high rate of domestic demand and added further to the difficulties of price control. In January, 1947, higher ceiling prices were authorized on these metals, thus reducing the disparity between their domestic ceilings and world prices. At the same time an increase in the ceiling price of antimony eliminated the trading loss on this metal. Silver was released from price control in February, 1946, and in January, 1947, ceiling prices were suspended on all non-ferrous metals except aluminum, antimony, copper, lead, zinc, tin and nickel.

A. IRON AND STEEL

Reconversion demands for iron and steel were very heavy and production in 1946 was retarded by a series of industrial disputes, the most important being those

in the steel, coal and shipping industries. The prospect of an acute shortage of steel as a result of the U.S. steel strike led the Government in January, 1946, to re-establish the Steel Control. Canada depends on the United States for much of her steel supply including many special grades of sheet and certain fabricated steels which are not produced domestically. The sharp fall in imports of these products was eventually reflected in a curtailed output of finished goods, particularly automobiles, refrigerators, and stoves.

The steel strike was followed by the coal strike in the United States which again curtailed steel production. In July, 1946, came the dispute in the Canadian steel industries, lasting about two and a half months, producing even more serious and widespread shortages which were particularly critical in sheet, rods and pig iron.

Controls and directives over the production and distribution of basic steel were re-established by the Steel Control early in the year. Steel mills producing basic steel were obliged to divert for domestic use a considerable tonnage which would otherwise have been sold on the export market; certain of the more profitable but less essential lines of production were reduced or eliminated in favour of more urgently needed types; in some cases production from highly uneconomic units which otherwise would not have been used was continued and expanded. Measures which from a commercial standpoint were unprofitable had to be taken to alleviate the serious effects of the steel shortage. Since these measures were of a clearly temporary nature, compensation for losses incurred was provided by means of subsidy payments. Two of the producers were paid special subsidies to offset the losses involved in keeping furnaces in operation which would otherwise not have been used. One pig iron producer was subsidized when the supplies of coke needed to keep the plant in operation could only be obtained by purchases from more distant sources at much increased costs.

Some transportation subsidies were also provided where the diversion of steel, although uneconomic and unusual, would bring about a greater supply of needed finished products. Thus, slabs and billets were moved to steel fabricating mills for

conversion into finished products when the Steel Controller's Orders had placed two of the mills in a position where their production of basic steel was greater than their capacity to fabricate the needed types of finished products. Freight was paid on steel scrap purchased in Western Canada by Eastern steel mills, thus making available to them scrap which would otherwise have gone to the export market. A subsidy was paid on a considerable quantity of steel scrap imported from abroad. When a pig iron producer was forced to close down certain facilities for repairs, pig iron was diverted into the area of shortage and a transportation subsidy was paid to assist in equalizing freight on such shipments.

In April, 1946, a general price increase was authorized for the full range of primary iron and steel products. There had been no general adjustment in steel prices since 1940 and there was no doubt that costs of production were substantially, and, in many respects, permanently higher. This action was taken after months of investigation had clearly established the need for it. Provision was made to permit the price increases authorized for primary iron and steel products to be incorporated automatically into comparable price adjustments by many users of the basic steel products. This automatic adjustment was necessary because iron and steel is used as a raw material by a host of secondary manufacturers many of whom were not in a position to absorb this increase in their costs. It would have been quite impracticable to deal with the resulting flood of applications for price adjustments without serious and disturbing delays. The automatic adjustment was, therefore, applied to the majority of steel users though it was withheld from certain industries the products of which were of special importance.

The general price increase did not eliminate the need for special subsidies. The subsidies designed to maintain production which was uneconomic were naturally reduced. The transportation subsidies on iron and steel, however, remained necessary for the time being. Then came the industrial dispute in the Canadian steel industry and following the wage settlement which was authorized by the National War Labour Board the rates of subsidy on uneconomic production had again to be raised. The steel shortage

was more acute than ever and until supplies improved materially every practicable step had to be taken to get maximum output of urgently needed types of iron and steel. This involved continuance of transportation subsidies as well as those designed to sustain uneconomic production.

B. NON-FERROUS METALS

Some non-ferrous metals such as aluminum and magnesium were in good supply shortly after the end of hostilities. Others, however, notably tin, antimony, copper, lead and zinc continued in short supply during 1946. World supplies of tin have been far below demands, as exports from Malaya, the chief source of supply, have increased less rapidly than was expected. The Commodity Prices Stabilization Corporation, therefore, continued to bulk purchase Canada's tin supply and stocks remained under allocation. Antimony was also in short supply throughout the world and the Board authorized the Corporation to bulk purchase this metal; a considerable trading loss was involved in these functions. In January, 1947, however, the resale price to domestic users was raised to the level of the purchase price which had risen substantially and the trading loss was thus eliminated. Supplies of antimony have been purchased chiefly from China, but the quantities delivered in the fall months were not adequate. As antimony is essential in the hardening of certain forms of lead, production of these forms of lead was consequently reduced. Secondary or scrap lead was already very scarce and it was difficult to secure adequate offerings at domestic ceiling prices which were considerably below prevailing world prices. Exports of scrap lead had been strictly limited throughout the year, and in September, 1946, the Board issued regulations limiting inventories and placing restrictions on sales of secondary lead.

The pull of higher foreign prices was strong in the case of copper and zinc as well as lead, and to ensure adequate supplies for domestic use the Board throughout the year has required producers to

allocate sufficient quantities for this purpose. While this action limited the volume of sales by producers of primary metals at the higher export prices, a further step was taken to allow them to obtain the benefit of higher export prices when metals which they sold to domestic manufacturers were ultimately exported, usually in fabricated form. Some of the domestic processors of these metals were already under agreement with the primary producers to share the benefit of the higher external prices to the extent that their output was exported. In November, arrangements were made under which those exporters of non-ferrous metal products who had not made such agreements would, through the Commodity Prices Stabilization Corporation, refund the premium over the domestic price to the primary producer of the metal concerned. In January, 1947, ceiling prices were raised on copper, lead and zinc, as well as on their secondary or scrap forms. Production costs had increased substantially while domestic prices remained at 1941 levels and restricted export quotas prevented producers from taking full advantage of the higher export prices. Moreover, the spread between controlled domestic ceilings and world prices tended to encourage inventory hoarding, a tendency particularly apparent in the case of scrap materials.

Producers of brass and copper products had achieved a reasonably good production by early in 1946. This satisfactory picture was, however, reversed in the spring when a serious and prolonged industrial dispute at the plant of the principal Canadian producer of copper and brass mill products created critical shortages. During that period the Board "froze" existing stocks of copper and brass products and released them only under permit for the most essential uses such as housing, refrigerators, farm implements and urgent repair work. Shortly after the settlement of the dispute in October, these restrictions were removed since there was ample capacity to produce sufficient copper and brass products in the reasonably near future.

X DURABLE GOODS

Early in 1946, the durable goods industries were making substantial progress toward a high level of peacetime produc-

tion. In the spring and summer, however, the series of labour disputes in the United States and Canada interrupted and slowed

down the flow of such basic raw materials as steel, rubber, brass and copper products and postponed the time when adequate quantities of durable goods would be available. It was not until the last quarter of the year that production recovered and began to approach a volume which was more appropriate to the heavy demand.

Most durable goods used by consumers remained under ceiling prices in 1946. Ceiling prices for machinery and most other items of capital equipment were suspended from the provisions of price control in May. Serious price increases were not anticipated. The prices of capital equipment had little immediate bearing on the prices of consumers' goods and the administrative task involved in maintaining ceilings on goods of such varied specification would have been extremely difficult and costly. Typewriters and office machinery were among the items released from control at that time, but farm machinery and equipment and fishermen's equipment were retained under price control.

Rising production costs exerted considerable pressure on the ceilings for consumers' durable goods and necessitated a number of price adjustments. Costs of some important materials, such as steel, lumber, and some textiles were higher, the prices of some imported components advanced, and labour costs rose considerably. The burden of overhead costs was frequently increased by interruptions in production schedules. In some cases, costs were raised because shortages of materials forced producers to go to unusual and more expensive sources of supply or to purchase at other than their customary level of trade. In these circumstances, some price increases were necessary, the most important being those on radios, furniture, motor vehicles and a number of fabricated metal items.

A. METAL CONSUMER GOODS

Production of most metal consumer goods was, of course, much greater than in 1945. At the same time, few items were produced in the quantities planned by manufacturers and almost all were affected by shortages of needed materials and components. Output of some of the smaller household appliances such as toasters and grills was sufficient to put substantial supplies back on the market.

But progress was less rapid among the larger appliances. Production of washing machines, though substantially larger than in 1945, was held up by the lack of vitreous enamelling sheet which must be imported. The output of refrigerators was retarded by the scarcity of copper wire and tubing. Though radios were produced in much increased quantities, their output was also impeded by supply difficulties, particularly in the case of the larger models.

The maximum prices of many metal goods were affected by the increase authorized on basic steel in April, 1946. Under the formula established, manufacturers of a variety of metal products were permitted to add to their existing maximum prices the amount by which the cost of raw materials or components had advanced by reason of the increase authorized for steel, plus a further 25 per cent of such increase. The resulting adjustments at wholesale and retail levels were controlled by limiting mark-ups to specified percentages. The price increases involved were not great as indicated by a sample survey which showed the increases between 1 per cent and 10 per cent concentrated in the lower portion of this range.

This automatic increase in prices did not apply to electric or gas stoves, refrigerators, a number of other household electrical appliances, furniture, motor vehicles, farm implements, and containers. Some of these products had to be dealt with individually while in the case of others, such as electrical appliances and equipment, producers generally were in a position to absorb the increased cost in view of the relief afforded by the removal or reduction in 1945 of special excise taxes. The problem of pricing imported household electrical appliances was also simplified by the tax reductions in 1945, and in July, 1946, import costs were reduced as a result of the elimination of the discount on the Canadian dollar. Up to the middle of the year, imported appliances were priced at basic period ceilings. In July, when the general policy of pricing imported goods was changed, the basis became laid-down cost plus a specified markup which in the case of electrical appliances was limited to the usual dollar margin prevailing in the basic period.

In other industries, however, higher operating costs necessitated price adjust-

ments. In June, 1946, the Board authorized a price increase of 10 per cent for radios and at the same time eliminated ceiling prices except at the retail level. This latter step which allowed manufacturers to bargain with distributors with respect to margins was also applied to sales of marine engines and to one producer of washing machines who demonstrated financial need. Earlier in the year, higher ceiling prices had been authorized on certain low-priced stoves which some companies had been selling at uneconomical prices. The housing program gave rise to an unusually heavy demand for these stoves and in view of the necessity of obtaining larger production, prices were adjusted to bring them more into line with those prevailing for comparable models. Higher maximum prices for silver plated flatware were authorized in October, 1946, partly as a result of the marked increase in the world price of silver which had become applicable in Canada following the release of that commodity from price control early in the year. Articles of sterling silver had been removed from the price ceiling in February, 1946, and silver plated hollow-ware in the following month. Some of the less important metal consumer goods were decontrolled in July.

In January, 1947, many more metal articles were released from the price ceiling, the principal items being radios, phonographs, record players, clocks and watches, cooking utensils, cutlery and flatware, tableware, small electrical appliances and hand tools. The production of these goods was increasing notably in the latter part of 1946, and by January, 1947, it was felt that supplies of many items had improved to a point where the risk of serious price advances was limited. Price controls were retained only on the major household appliances such as cooking stoves, washing machines, refrigerators and sewing machines, and on bicycles.

B. FURNITURE

The output of furniture increased considerably in 1946; production of upholstered furniture was approximately 40 per cent greater than in 1945, and output of hard household furniture was up by about 15 per cent. At the same time, the demand for furniture was extremely heavy and the supply, particularly in the early part of the year, was insufficient to meet

all requirements especially for such items as dining and bedroom suites.

During the year, significant price adjustments were authorized on all the main types of furniture. Throughout the war years costs of production had been rising. This trend continued and was in some respects accentuated following the end of the war, both with respect to materials and labour, and carried costs to a point where price adjustments became unavoidable. Costs rose further during the year because of shortages and irregular deliveries of materials which added to the burden of overhead.

At the beginning of April, 1946, higher ceiling prices were authorized on certain types of upholstered furniture as well as on some articles of bedding. Price increases on mattresses varied from 16 per cent to 25 per cent and on studio couches, davenports, pillows and comforters, the increase was 20 per cent. In the following month, manufacturers' ceiling prices were raised 10 per cent for all types of upholstered furniture except those which had received increases in April. In order to minimize the increase in cost to the consumer, distributors were required to accept a restricted mark-up. Maximum prices on metal furniture were increased by amounts varying from 10 per cent to $12\frac{1}{2}$ per cent, and it was hoped that these adjustments would promote increased production of lower price lines which had been disappearing from the market.

Ceiling prices on hard household furniture were also adjusted in the spring by proportions ranging from 8 per cent to 13 per cent. Here, too, dealers were required to accept a restricted mark-up so that the percentage increase in cost to the consumer was somewhat less than the amount of the adjustment at the manufacturing level. Certain types of hard-wood furniture (i.e. office, school and church furniture and pianos) were specifically excluded from the application of this increase though an adjustment of $7\frac{1}{2}$ per cent was subsequently allowed on pianos and ceiling prices on the other items were removed in July, 1946.

By the end of the year, the total supply of household furniture had improved substantially. There was, however, a lack of balance in the supply since higher-priced lines were quite plentiful and lower-priced lines were often scarce or unobtainable. Some evidence of consumer buying re-

assistance in higher-priced goods was appearing. This situation had an important bearing on the decision which was announced by the Government in January, 1947, to remove household furniture from price control. While it was recognized that some price increases might occur, principally on lines which had gone out of production, it was believed that competition was increasing and that a more balanced supply might soon be forthcoming.

C. MOTOR VEHICLES

The production of civilian passenger cars, at a standstill since 1942, was resumed late in 1945. While production gained momentum during the course of 1946, it was interrupted and delayed by the effects of labour disputes in Canada and the United States, both in the automobile industry itself and in related industries—steel, coal, rubber, electric and brass products and shipping. The output of tires was also reduced by labour disputes involving most of the principal manufacturers.

The Department of Reconstruction and Supply removed its controls over the distribution of new motor vehicles in August, 1946. As supplies increased, standards for priorities had to be broadened and the problem of drawing fair distinctions between competing needs became increasingly complicated. Moreover, the interruptions to production upset the working of priorities. In the circumstances, complete removal was believed the best course. The essentiality certificate system relating to sales of used cars was discontinued in May, 1946.

Ceiling prices on Canadian-made automobiles were held at basic period levels until December, 1946, except for certain increases which had been allowed to cover improvements in design other than mere style changes. The practice adopted in establishing ceiling prices on automobiles, both domestic and imported, has been to set the maximum price at the retail level only, thus permitting freedom of bargaining at earlier stages. Towards the end of 1946 the Board granted price increases on

1946 models to the three leading motor vehicle manufacturers on the basis of financial data submitted by them. Production costs had risen because of the current higher prices of imported components, of increased prices of domestic materials, and of wage advances throughout the industry. The increase in retail ceiling prices amounted to 10 per cent on passenger cars and 7 per cent on commercial vehicles.

In November, 1946, maximum prices for rayon truck tires were returned to basic period ceilings. These prices had been reduced when rayon synthetic rubber tires replaced rayon crude rubber tires, but have now been restored in view of the improving quality of these tires and on the understanding that the proportion of natural rubber used would be substantially increased.

The method of pricing imported automobiles was changed towards the end of 1945 from basic period pricing to a system which determined retail ceilings on the basis of laid down costs plus the approximate dollar mark-ups which prevailed in 1941. Rigid adherence to basic period ceilings would have greatly restricted and in many instances eliminated the import of automobiles since prices had risen appreciably in the United States. In July, 1946, appropriate adjustments were made in the ceiling prices of imported cars following the return of the Canadian dollar to parity.

In the face of the restricted production of new automobiles, the pressure on ceiling prices of used cars was intense. The regulations governing sales of used cars were strengthened and vigorous enforcement measures were taken to check illegal transactions. In January, 1947, maximum prices of used cars and used trucks (except imported cars and trucks of 1946 or later models) were raised by approximately 10 and 7 per cent respectively. These increases corresponded to those allowed on new cars and trucks in the previous month and gave recognition to the customary relationship existing between new and used motor vehicle prices.

XI FUELS

The adequacy of the fuel supply remained a matter of serious concern during most of 1946 and it was only towards the

end of the year that the position began to improve. To ensure a sufficient supply of fuelwood in the face of the shortage of

labour, it was necessary to continue the special subsidy arrangements which had been used in the preceding year. A variety of steps had to be taken to protect and distribute coal supplies looking towards the needs of the present winter, especially in view of the precarious situation brought about by strikes in the United States mines and lake shipping industry.

There were price problems as well. Higher prices for U. S. coal were only partly offset by the effects of the return of the Canadian dollar to parity and in the case of coal imported for domestic use considerable subsidy payments were required to hold domestic ceiling prices. In the case of Canadian-mined coal, significant price increases were authorized in the West because of the higher production costs, mainly arising out of a new wage agreement negotiated in the latter part of the year. The increased cost of crude oil imported from the United States exerted considerable pressure on ceiling prices of petroleum products. The first step toward the removal of the subsidy on crude oil imported into the Prairie Provinces was taken early in 1946 and the removal of the subsidy was announced in January, 1947. At this latter date, all petroleum products, except gasoline and tractor distillate, were released from price control.

A. COAL

In the early part of 1946, there seemed to be good prospects of obtaining sufficient imports of coal from the United States to prevent a repetition of the difficulties experienced in the heating season of 1945-46. Canada, like the United States, relaxed a number of the controls over coal. The Emergency Coal Production Board, established on November 23, 1942, was wound up in April, 1946, and the special production subsidies which remained necessary continued to be paid through the Commodity Prices Stabilization Corporation on directions from the Coal Administrator.

This improving outlook, however, suddenly changed for the worse as a result of the coal strike in the United States. In addition, the stoppages of steel production in both countries led to a sharp reduction in the output of coke and the Canadian lake shipping strike delayed coal deliveries. In view of the serious implications of these developments for the coming winter's fuel supply, the Coal

Control, which in its supply functions was responsible to the Department of Reconstruction and Supply, took a variety of steps to conserve and increase supplies. Deliveries of coal to domestic purchasers in Central and Eastern Canada were limited to 80 per cent of their normal fuel requirements. The export of coal and coke was placed under permit. Arrangements were made for diverting coke produced by steel plants to the domestic fuel market, though in the light of subsequent developments it was possible to cease this serious emergency expedient. Special subsidies were paid to certain strip mines in Alberta to enable them to increase their production. Subsidy and price arrangements were also made to increase the movement of Alberta coal and briquettes to the Ontario market and certain other subsidies were paid to move coal to places where it was urgently needed.

Fortunately, Canada actually received more anthracite from the United States than in the previous year. The coal strike did not affect anthracite production to anything like the extent that it affected bituminous coal and many of the U. S. mines were most helpful in arranging for supplies. Moreover, the subsidy system on coal for domestic use protected importers from being caught between higher U. S. prices and fixed Canadian ceilings. As a result of these developments and of the measures adopted in anticipation of the threatening coal shortage, winter supplies turned out to be adequate. In November, 1946, the restrictions on deliveries to domestic purchasers were relaxed and at the end of the year, they were removed.

The settlement of the coal dispute in the United States was followed by a general increase in prices of anthracite and bituminous coal and about the same time higher U. S. freight rates came into effect. The rates of subsidy on coal and coke imported from the United States for domestic use were therefore increased in June, 1946, but in the following month they were reduced to about their previous levels as a result of the restoration of the Canadian dollar to parity. Prices of imported coal for industrial use were permitted to vary with the changing costs. With the final dissolution of price control in the United States in November, 1946, the question of subsidy rates and Canadian ceiling prices arose again. It was

decided to hold existing ceilings. For a short time subsidy rates were limited to those previously in effect but in view of further price increases in the United States some further adjustments in subsidies became necessary in the cases of bituminous coal and coke. At the beginning of 1947, coal eligible for import subsidy was limited to that delivered to private dwellings, rooming houses, and apartments. Previously, coal used by hospitals, schools and institutions had also been eligible.

There was a considerable increase in the ceiling prices of coal produced in Western Canada during the year. Certain changes, standardizing and "levelling up" prices and permitting operators to renegotiate commissions and discount rates to distributors, were authorized after an examination of the financial position of a large group of producers. Not long after, a new wage agreement was negotiated between the Western operators and coal miners involving a wage increase, a reduction of the work-week, and certain welfare provisions. It was recognized that the industry was not in a position to absorb further increases in operating costs and following approval of the agreement by the National War Labour Board, the Prices Board authorized price increases appropriate to the rise in costs. This involved price advances on Alberta coal which averaged in the neighbourhood of \$1.00 per ton at the mine. A somewhat larger increase was necessary on coal produced in the Vancouver Island District, and a considerably smaller one came into effect on Saskatchewan coal. No general increases were authorized on Maritime coal during the year but wage discussions were in progress early in 1947 and if costs were to increase materially price increases would almost certainly be necessary.

B. PETROLEUM PRODUCTS

The increased cost of crude oil from the United States exerted considerable pres-

sure on existing ceiling prices for petroleum products during 1946. At the beginning of the year the only imports of crude oil still eligible for subsidy were those going into the three Prairie Provinces. In January, 1946, a first step was taken towards the elimination of these subsidies—the base price of crude oil above which subsidies could be paid was raised 45 cents per barrel in line with a corresponding price adjustment in Turner Valley crude oil, and somewhat later the ceiling prices of petroleum products in the Prairie Provinces were advanced appropriately. By the end of the year, however, subsidy payments had regained their previous levels because of a further rise in the cost of crude oil from the United States. In January, 1947, these subsidies were terminated.

The increased cost of United States crude oil also created pressure on petroleum prices in other parts of Canada, particularly in British Columbia where adjustments were permitted in the price of heavy fuel oil in the latter part of the year. No increases were authorized in maximum prices of petroleum products in Ontario, Quebec and the Maritimes, though here again there was considerable pressure for some revision of fuel oil and distillate prices. In January, 1947, all petroleum products, except gasoline and tractor distillate, were released from price control.

C. WOOD FUEL

The problem of ensuring adequate wood fuel supplies persisted in the winter of 1945-46, a considerable quantity of green wood being used to make up deficiencies. To bring sufficient wood to market and to encourage the production of supplies for the burning season of 1946-47 subsidies were authorized to be paid up to March 31, 1947, where necessary to enable wood to be purchased by dealers and sold within consumer ceilings.

XII RENTALS AND SHELTER

The supply of housing accommodation in 1946 was scarcer in relation to public needs than in any of the war years. Consequently no fundamental relaxation of the existing system of controls was made. The maximum rentals on housing accom-

modation, based in the main on 1941 levels, continued and the extra-contractual right of indefinite tenancy granted to the occupiers of rented accommodation remained in effect. A few minor amendments to the regulations were introduced

but the basic controls in 1946 were substantially the same as those in effect in 1945.

Rent control was one of the first of the emergency price controls to be introduced in Canada, being invoked first in September, 1940, when rents were pegged in some fifteen localities which were particularly affected by the special conditions of wartime. The control of rentals was steadily extended to cover the whole country and to include most types of housing accommodation as well as commercial premises. From the beginning, regulations for the protection of tenants against unnecessary or unreasonable eviction had been introduced and these regulations were also extended until the point was reached where no well-behaved tenant could be evicted except in a few very special and well-defined circumstances. Since the summer of 1945, a landlord has not even been permitted to evict a tenant when he wished to repossess his own house for his own occupancy.

Such "eviction control" is admittedly an extreme interference with the usual rights of the individual and, on occasion, has been the cause of considerable personal hardship to house-owners of small or modest means. Along with rent control, however, it has prevented the housing shortage from giving rise to unmanageable and highly disturbing social conditions. As a result of this extra-contractual protection, the hundreds of thousands of Canadian families living in rented accommodation are not living under the threat of eviction today, as would otherwise be the case, and in the great majority of cases rentals have been held at 1941 levels.

As stated above, no abatement of the housing shortage occurred in 1946. On the contrary the existing state of congestion became even more serious, despite the large volume of new building during the year. The demobilization of the armed services and the continued increase in the marriage rate served to accentuate a shortage which had been apparent for three or four years and which really existed prior to the war. The current deficiency of housing is not solely the result of a low level of construction during the war years or of the increase in the size and nature of the population, although both these factors are important. A real, though disguised, shortage of housing

existed even before the war. While vacancies were numerous in 1939 the apparent adequacy of accommodation was the result of a "doubling up" of many families, attributable to low incomes and unemployment. The number of dwelling units constructed during the thirties was relatively small. Had the level of employment and national income in the late thirties been as high as it is today a housing shortage would have been evident at that time. As it was, the improvement in the economic position of most families from 1939 to 1942 caused a sufficient amount of "undoubling" to eliminate vacancies. As the movement of people from rural areas and small towns to work in war-expanded industries in the cities continued, as marriages increased, and later as demobilization went forward, the pressure on the supply of housing steadily grew. Thus a further trend developed towards the renting of shared accommodation or "doubling up" caused, not by lack of adequate income as in the pre-war period, but by the sheer inadequacy of new accommodation. At the present time there are some 200,000 single housing units occupied by more than one family, which is some indication of the congestion that exists. The Minister of Reconstruction and Supply has estimated (July 22, 1946) that approximately 150,000 new housing units are needed as a minimum to meet the immediate shelter problem, even after allowing for the 50,000-60,000 units which are expected to be completed during the year ending March, 1947.

In the face of this need for housing and the resultant pressure on rental levels, the work of the Rentals Administration of the Board in 1946 was inevitably heavy. The Board maintains a rental officer in about 65 centres across Canada with a small number of appraisers and interviewers in the larger cities. The work of these officers is concerned, in the main, with the following activities: (a) the fixation of maximum rentals on residential accommodation (houses, apartments, flats, shared accommodation, etc.) which are being rented for the first time and for which, therefore, no basic period maximum exists; (b) the consideration of applications for increases or decreases in existing rental levels based on some change in the amount of service or facility supplied by the landlord; (c) the fixation of rents on newly built residential accommodation;

(d) the fixation or varying of rents on commercial accommodation; (e) the granting of permits to serve notice to vacate on tenants in certain defined cases where the landlord proposes to sub-divide the property so as to make more space available; (f) the processing of applications for the eviction of so-called "obnoxious or incompatible" tenants—which cases are decided by a Court of Rental Appeals; and (g) the registration of rooming house rentals (in certain cities only). Most decisions made by officials of the Rentals Administration are subject to appeal before a Court of Rental Appeals constituted, as a rule, of a local judge or magistrate. The broad principles and procedures of rental and eviction control are laid down in the general regulations of the Board, and the system of local administration makes it possible to take account of local situations in a manner which is more appropriate in respect to housing than is the case of goods and services generally.

The maintenance of rental ceilings does not operate to impede the building of new housing accommodation. It has been clearly recognized that to attempt to fix rentals at 1941 levels on newly-built units would, in view of the increase in construction costs since that date, make new construction for rental out of the question. Accordingly, the fixation of rentals on newly-built accommodation takes into account the increases in construction costs. It does, however, prevent the profiteering which would be possible in view of the scarcity of accommodation.

Two rather minor revisions of the regulations in 1946 should be noted. In August the regulations governing the termination of leases for shared accommodation were amended by removing the restriction which prohibited notices to vacate from terminating during the winter months. Under present regulations tenants or sub-tenants in this category are protected from eviction in much the same way as those who are sole tenants of a house or apartment. However, unlike the head-tenant, people living in shared accommodation may be given notice to vacate in those cases where the landlord desires the accommodation for an enlargement of his personal residence, or for occupancy by certain members of his

immediate family. In such cases (and they are relatively infrequent) the necessary minimum six months' advance notice which is required to be served could not terminate, under the former regulations, during the winter months. This meant that a landlord or head-tenant who failed to serve notice by the 31st of March would be unable to recover the accommodation for as long as twelve months.

A small amendment was also made to the regulations governing the rental ceilings on commercial accommodation. Since December, 1945, as a step towards ultimate decontrol of commercial rentals, new leases for a period of five years or more (and not containing provisions for prior termination) have been exempt from the maximum rental regulations. In August, 1946, a revision was made to permit such leases to contain provision for termination before the end of five years on notice by the tenant. This revision was helpful to some commercial tenants who, while reluctant to renew or negotiate new leases at higher (ex-ceiling) rentals for as long as five years, were willing to do so provided that they had the right to terminate the lease at an earlier date.

The regulations under which commercial tenants are given protection against eviction were administered in a more flexible manner in 1946. Acting in accordance with the provisions of an administrative code* which defined those cases in which a landlord was entitled to repossess any such accommodation, some seven Deputy Rentals Administrators in the various regions of Canada have been holding hearings upon application. At these hearings the Administrator determines whether or not the public interest requires the exemption of particular leases from eviction control. In this way the Board has been able to maintain security of tenure for the vast majority of commercial tenants (and hence also to enforce the ceiling on commercial rentals) while permitting those changes in leasehold arrangements which are needed to promote greater employment and enterprise generally.

*Described in W.P.T.B. Report Jan. — Dec. 1945 p. 52.

XIII ENFORCEMENT

In accordance with the Government policy of gradual decontrol of prices and supply, the number of orders and regulations enforced by the Wartime Prices and Trade Board has been reduced materially during 1946. The most important reduction has resulted from the removal of the controls of several of the Controllers of the Department of Reconstruction and Supply, for example tire rationing, which were enforced by the Board. Though a number of the Board's own orders have also been revoked, the most of those requiring comprehensive enforcement activity have remained in effect.

At the same time, the task of enforcement has become somewhat more difficult. During the war much of the success of the stabilization program was due to strong public support. In the post-war atmosphere as controls are gradually lifted there develops a growing attitude of restlessness and impatience and a tendency for the public to regard the remaining controls as of less importance. In these circumstances, the Enforcement Administration has taken great pains to avoid the criticism of rigid or unbending adherence to merely technical rules but at the same time continuing to take every proper step to assure compliance with Board orders.

The Enforcement Administration's task is now confined to enforcing the orders of the Board and to acting as an agent for the enforcement of those of the Central Mortgage and Housing Corporation as to Emergency Shelter Regulations. The enforcement of the Board's orders deals with three topics: Rentals, Prices and Supply. Supply is chiefly concerned with consumer rationing, but also has phases which must be developed and controlled by the issue and subsequent enforcement of particular directives requiring the allocation of supply in a specific manner. In all three topics the Enforcement Administration must co-operate closely with the Administration concerned, such as the Ration Administration, to see that its policy accords with the aims of that particular Administration.

The enforcement of the Board's regulations requires periodic investigations to check compliance with the regulations. These investigations are carried out by a group of investigators in the regional and local offices. In order to keep thoroughly

in touch with current developments and practices, it is essential for these investigators to make a large number of checks into transactions of all types and in all fields. The reports made on such investigations must be considered and carefully analyzed. All of this work is detailed and laborious. It is, however, the necessary basis by which compliance with the Board's regulations may be gauged.

From time to time the Board prosecutes on the basis of infractions for what may appear to be "technical" provisions in its orders; for instance, provisions that businesses must keep certain records. The enforcement of a technical provision of this type is not in itself a narrow insistence upon compliance with that provision. The fact is that a proper compliance with such rules is basic to the effective administration of a great many particular orders, for non-compliance would permit the alleged offender to attain a result contrary to the whole policy of the order. For example, it is usually impossible to prove an allegation that goods have been sold at higher than the maximum price if the seller has failed to obey the regulations requiring him to keep certain records, affix certain labels or make certain returns. Again, a vendor who sells without a price fixation may well be selling at a most unreasonable and unjust price. Therefore the enforcement of these so-called technical provisions is often the only effective means of enforcing the general policy behind a particular order, and of maintaining the price ceiling as to the particular commodity concerned.

A noteworthy development during 1946 has been an increasing tendency of infractions to take on a pattern of carefully planned and skillfully executed schemes to evade the regulations by transactions of very considerable extent and importance. These schemes of evasion usually entail an organization of considerable size and complicity, for example a ration coupon counterfeiting gang. This method of evasion has been used not only in coupon rationing frauds, but in schemes to evade the maximum prices of textiles and building products, and has even invaded the field of rentals. Since the planning is done with professional skill, successful investigation is difficult. It is in the tracking down and defeat of these more

elaborately organized schemes that the requirement of strict compliance with the technical provisions of the order becomes most important. Such provisions are designed by the relevant administration with its knowledge of the particular field as effective checks by which compliance may be measured. The schemers know this and intentionally refrain from complying with the so-called technical provisions lest their whole plot be bared.

It is in dealing with this type of infraction particularly that the administration has found the assistance of the Royal Canadian Mounted Police invaluable. The Board's investigators carry on without police assistance the very large majority of all surveys, inquiries and checking necessary to determine compliance with the orders of the Board. It is only when dealing with what amounts to a criminal conspiracy to evade the Board's orders that the Board must turn from its own staff and obtain the assistance of the Royal Canadian Mounted Police. The extremely efficient co-operation of that Force has made possible, in the last year, the successful prosecution and defeat of those responsible for very considerable schemes of evasion in the counterfeiting of ration coupons, the distribution of textiles at prices far in excess of the ceiling, and the trafficking in used automobiles at prices double those permitted by the Board's orders.

The price ceiling on used automobiles has proven extraordinarily difficult to enforce. The demand for automobiles has been exceptionally heavy and the production of new vehicles to supply that demand has been so beset with shortages and other difficulties that the demand has pressed heavily on the existing supply of used automobiles. Enforcement problems here are concerned not only with organized gangs but also with the irresponsible "fly-by-night" type of illegal dealer and with the private individual who attempts to obtain an excessive price for his own automobile. All types of alleged offenders must be checked if the prices of used cars are to be controlled, yet the number of sales of such vehicles is so great that it is almost impossible to keep up with the work of investigation and prosecution.

The mere number of prosecutions is not a reliable guide to compliance with Board orders. The Board has always striven to avoid prosecutions of those who through

mere ignorance and without gross negligence are guilty of an infraction. For this reason the Board's files of innumerable smaller infractions are closed by warning letter, and in hundreds and even thousands of additional cases the vendor is merely required to rebate to his purchaser the amount exacted over the maximum price. The Board prosecutes those others, who, with intent, or by gross negligence in acquainting themselves with the Board's orders as to commodities in which they deal, would appear to have committed serious infractions of those orders. In 1946 the number of such prosecutions continued to grow. This was true especially in the field of consumer rationing partly because meat rationing had to be enforced throughout the whole year, as compared with only four months in 1945, and partly as a result of a very extensive trafficking in counterfeit ration coupons during the spring and early summer of 1946. It is hoped that the additional precautions taken in the production of Ration Book 6 will go far to prevent the repetition of such an occurrence.

All orders of the Wartime Prices and Trade Board are of their very essence, temporary in duration. Notwithstanding their temporary nature it is necessary that the Board require strict compliance with those orders. To take any other attitude would be to undermine the policy of the Government and to make effective control impracticable.

The Board takes great care not to undertake prosecutions without good cause and it may be of interest here to outline the course of an investigation and prosecution for an infraction of the Board's orders. P.C. 8528, in section 10, provides for the prosecution of an offence under the Board's regulations by the written leave of the Board but additional safeguards have been introduced. Before the Board institutes prosecution proceedings against any alleged offender, an investigator carries out a careful investigation and provides the alleged offender with the opportunity of making any explanation he desires. The result of that investigation is examined in one of Board's Regional Offices and if an infraction is revealed the file is submitted to the Enforcement Counsel in the Regional Office. The file is studied by that Enforcement Counsel and if the infraction is, in his

opinion, serious, the file is then referred to the Enforcement Administrator in Head Office. Only after that Administrator has determined that the alleged offence has been demonstrated clearly, that the offence is serious, and that the prosecution is the only course which can reasonably be adopted, does he recommend that the Board prosecute the alleged offender. When the Secretary of the Board approves this recommendation and grants leave to prosecute, the charge is laid by the duly

appointed agent of the Minister of Justice and the prosecution is carried out in the ordinary courts of criminal jurisdiction either by summary procedure or on indictment. By this careful scrutiny prosecution is confined to cases where reasons are very strong. The care which the Board takes not to prosecute without good cause is borne out by the fact that the courts convict in more than 95 per cent of the cases brought before them by the Board.

XIV BOARD ORGANIZATION

With decontrol proceeding during the year it was possible to reduce the scale of the Board's operations. Several Administrations were closed, others were amalgamated, and in January, 1947, one of the Co-ordinations was discontinued. Many local offices, in all parts of the country, were closed. The Board's representation in Washington was withdrawn. As a result of these and other changes the Board's staff was reduced by more than one thousand during 1946.

In spite of this substantial contraction, the general structure of the Board's organization remained as before. The

Head Office of the Board formulates and co-ordinates plans, supervises personnel and expenses, and provides various central services for the organization. Administrators, grouped into Co-ordinations, provide the Board's day-by-day contacts with industry and trade. The regional, local and ration offices bring the services of the Board to the general public all across Canada. Details of the working of this organization have been given in earlier annual reports.

The reduction of staff was distributed as follows:

	TOTAL STAFF DECEMBER 31		
	1945	1946	Reduction
Head Office.....	857	841	16
Administrations.....	1,121	683	438
Emergency Shelter.....	111	0	111
Regional, Local and Ration Offices.....	3,589	3,044	545
Total W.P.T.B.....	5,678	4,568	1,110
Associated Companies*.....	498	388	110
Grand Total.....	6,176	4,956	1,220

*Commodity Prices Stabilization Corporation Ltd., Canadian Wool Board, Ltd.; and Wartime Food Corporation, Ltd.

There was not much reduction in the Head Office staff; the work of some divisions of Head Office, such as that engaged in dealing with ceiling price adjustments, actually increased considerably. There was a substantial reduction in the number of Administrations, eleven of which were closed or merged. The largest reduction was in the field staff. The number of regional offices remained at 13, but the number of local and sub-local offices all across the country was reduced

from 115 to 75 and ration offices from 33 to 31. The work of the ration offices, which are responsible for food rationing, declined only slightly during the year, but the work of the other field offices was reduced considerably with the ending of tire rationing, motor vehicle priorities and other activities. Following the transfer of responsibility for Emergency Shelter regulations from the Board to the Central Mortgage and Housing Corporation, the staff concerned was largely

taken over by that Corporation early in the year.

While the responsibilities of the field staff have been reduced in certain directions the year has been a heavy one for them. The Board's chief representatives in the thirteen regional offices, known as the Prices and Supply Representatives, are responsible for the whole of the Board's work in their respective regions. During 1946, these "P.S.R's" have had to meet new and difficult problems as the pace of decontrol has increased. In the interpretation of Board orders and regulations to manufacturers, retailers and dealers, their most difficult problem during the past year has probably been that of securing the equitable distribution of goods in short supply, such as canned milk, flannelette and children's underwear. In addition to handling a multiplicity of other problems, including applications, reports and complaints from the public, these officers have continued to guide veterans seeking to establish themselves in business, and have arranged for the closing of local offices where possible.

The Ration Administration continued to be assisted by a large staff of volunteers who operated 627 Local Ration Boards throughout the country. In September, with the assistance of the Women's Regional Advisory Committees

this Administration distributed Ration Book 6 to individuals across Canada.

In view of its unique character the work of the Consumer Branch requires particular mention. Through this organization which includes only a small central staff of paid workers, a large number of Canadian women have played a major role in the operation of price control. They have provided a two-way flow of information, keeping the Board in continuous touch with the consumer's point of view and at the same time informing the consumer as to the facts concerning the operation of price control and rationing and as to the reasons for shortages and the steps taken to deal with them. In 1946 the number of voluntary workers associated with the Consumer Branch in cities, towns and villages in Canada reached an all-time high of 16,700 women. Each one represented a group of from 25 to 500 women, and many of them made brief reports to these groups on Consumer Branch work every month. In addition, there were nearly 1,700 members of trade unions throughout Canada who maintained a two-way flow of information on consumer questions between their unions and the Consumer Branch. There were also 500 rural women across the country who performed a similar voluntary liaison between farm women and the Board.

XV PRICE MOVEMENTS — AUGUST, 1939 TO DECEMBER, 1946

A. GENERAL REVIEW

The sixteen month period between V-J Day and the end of 1946 was one of significant price change. Wholesale prices increased 8 per cent from the fairly stabilized level of the two previous years while the cost of living index rose over 5 per cent, with retail food prices up some 7 per cent. Of primary importance in this adjustment to a higher price level was a considerable reduction in subsidies, a development which has proceeded gradually since the end of the war and in which further steps, not yet reflected in the price index numbers, were taken early in 1947. A number of other price adjustments gave partial recognition to the

effects of the substantially increased costs of peacetime production in a variety of industries, most adjustments reflecting higher labour costs to some extent. Of lesser importance were the effects of decontrol of price ceilings, since only a few of the items released from control showed significant price increases. One of the basic factors behind the gradual increase in Canadian prices since the end of the war was the pressure of substantially higher prices in other countries. That pressure was particularly noticeable in regard to primary commodities but expressed itself in our trading relations with most countries and especially, of course, with the United States.

INDEXES OF PRICES IN CANADA, AUGUST, 1939 TO DECEMBER, 1946
(1935-39=100)

Index	August 1939	August 1945	December 1946	% Change Aug. 1945 to Dec. 1946
General Wholesale Prices	93.8	135.0	145.1	+7.5
Cost of Living	100.8	120.5	127.0*	+5.4
Retail Food	99.3	136.2	145.5*	+6.8

*January 2, 1947.

Attention has been increasingly focussed on current and prospective price developments in the United States, important in their relation to the current problems of Canadian price control and to the longer-run outlook for Canadian prices. While future market conditions in the United

States are uncertain, the rise in U. S. prices which followed the removal of controls has increased materially the differentials between Canadian and United States prices. This is apparent in the following comparison of price movements in the two countries.

PERCENTAGE INCREASE IN PRICES IN CANADA AND THE UNITED STATES TO LATEST DATE IN 1946

Index	From August, 1945		From pre-war, '35-39	
	Can.	U.S.	Can.	U.S.
General Wholesale	7.5	32.1	45.1	73.3
Farm Products	4.0	33.8	58.5	123.4
Fully & Chiefly Manuf. Goods	8.1	32.2	33.5	62.6
Cost of Living	5.4	18.6	27.0	53.3
Retail Food	6.8	31.9	45.5	85.9

NOTE: Wholesale price index in Canada is for December 1946; in U.S. for November 1946. Cost-of-Living Index in Canada is for January 2, 1947; in U.S. for December 15, 1946.

The farm products index does not include possible participation payments on the 1945 and 1946 wheat crops, but it does include participation payments made on previous crops.

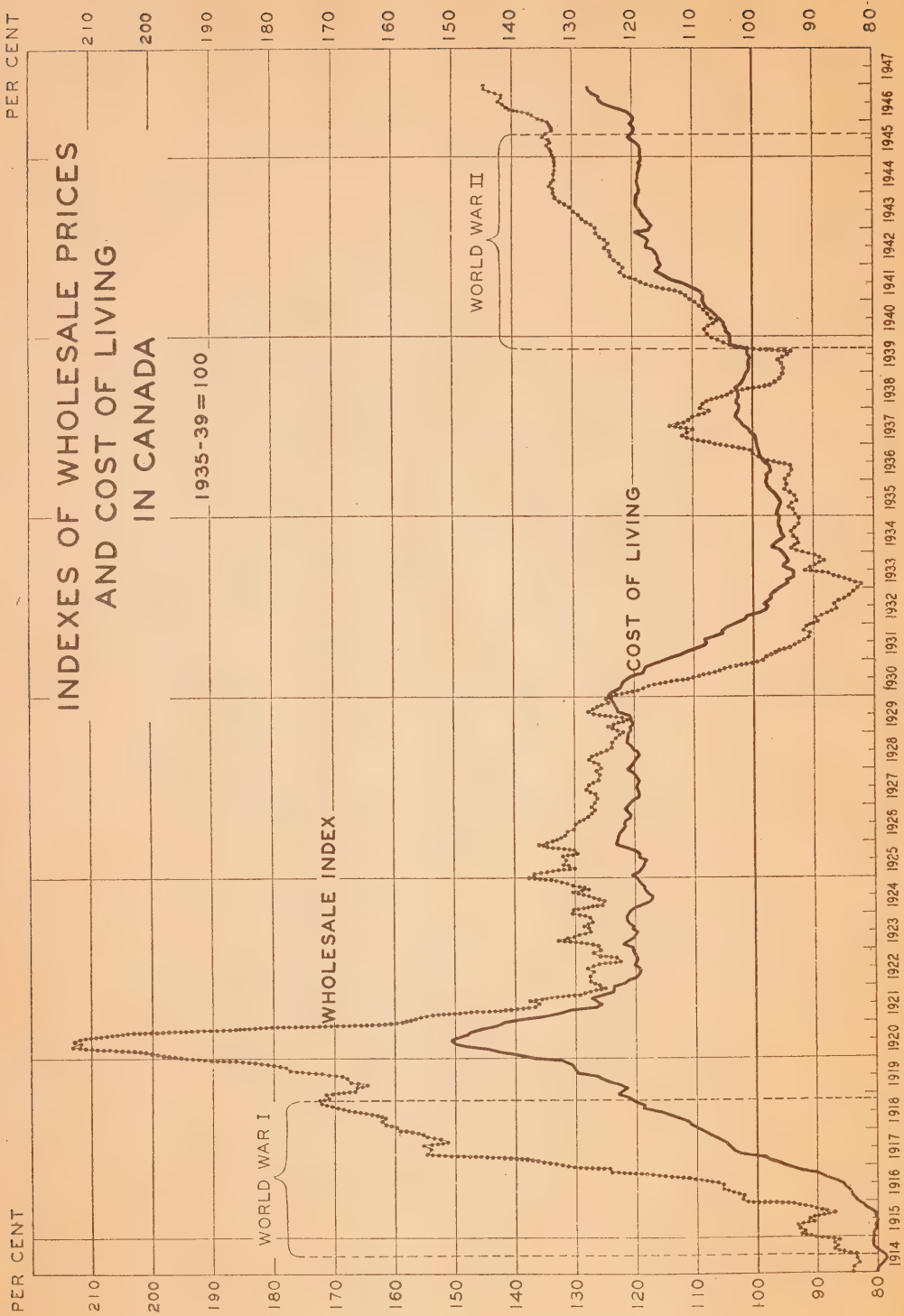
Since the end of the war, prices in the United States have risen very much more sharply than prices in Canada and in its extent the advance in the United States has been quite similar to the rise which occurred after the first world war. As a result of this marked upsurge, the level of prices in the United States became much higher than in Canada relative to pre-war, as is shown in the third and fourth columns of the above table. Towards the end of 1946, general wholesale prices in the United States were some 73 per cent higher than pre-war whereas the advance in Canada was 45 per cent. The cost of living in the United States was up 53 per cent as compared with a rise of 27 per cent in this country.

During the six years of war from August, 1939 to August, 1945, the cost

of living index in Canada was held to an advance of about 19 per cent, while general wholesale prices increased 44 per cent. This trend compared very favourably with price increases over the four year period of war during the first world war, when living costs rose 54 per cent and wholesale prices, 106 per cent. Moreover, the upward movement in prices since V-J Day has been moderate in comparison with the rise in the price level during the corresponding period after the end of the earlier world conflict. (see Appendix K.)

B. WHOLESALE PRICE CHANGES

By the end of 1946, the level of wholesale prices in Canada had risen about 45



per cent above the average level of the five pre-war years, 1935-39. This rise includes an advance of 8 per cent in the

price level since V-J Day. Post-war price increases have been general, as will be seen in the last column of the table below.

INDEXES OF WHOLESALE PRICES IN CANADA
(1935-39 = 100)

Group	August, 1939	August, 1945	December, 1946	% Change Aug., 1945 to Dec., 1946
Vegetable Products.....	80.2	134.1	132.9	-0.9
Animal Products.....	93.7	146.0	161.6	10.7
Textile Products.....	95.0	131.1	140.6	7.2
Wood Products.....	107.0	164.4	195.1	18.7
Iron & Its Products.....	102.0	123.0	135.1	9.8
Non-ferrous Metals.....	95.7	108.1	122.3	13.1
Non-metallic Minerals.....	97.9	118.0	121.9	3.3
Chemicals.....	97.5	124.5	119.7	-3.9
Total.....	93.8	135.0	145.1	7.5
Farm Products.....	81.6	152.4	158.5	4.0
Fully & Chiefly Manuf'd Goods.....	95.4	123.5	133.5	8.1

The decline in the vegetable products group since the end of the war is the result of a seasonal trend in prices of fresh vegetables which normally reach their lowest price late in the year. It should also be noted that wheat prices in the vegetable products index are recorded at the domestic price of \$1.25 per bushel and not at the present guaranteed price to the farmer of \$1.35 or at the higher prices being realized by the Canadian Wheat Board on external sales. Also, a number of chemical products were reduced in price following the end of the war. Several of the groups reflect ceiling price adjustments to offset the elimination or reduction of subsidy payments, as in the case of cotton and woollen textile goods, dried fruits, canned fruits and vegetables, jams and jellies, corn syrup and canned salmon. Several important industry-wide increases were authorized during 1946, to meet the higher costs of peace-time production, as in iron and steel products, lumber and furniture, and also in some of the textile trades. Authorized price adjustments were also made during the year on several farm products in an effort to arrest declining production and marketings. This was notable early in the year in the case of pork and butter. The beef price structure was also revised upward in the middle of the year to alleviate a serious decline in cattle marketings. Later on, in October, the price of fluid milk to the farmers was raised in some important areas following the return of the function of price fixing to provincial jurisdiction.

For certain other commodities important as exports, notably silver and newsprint, price increases related to external prices followed the suspension of domestic ceilings.

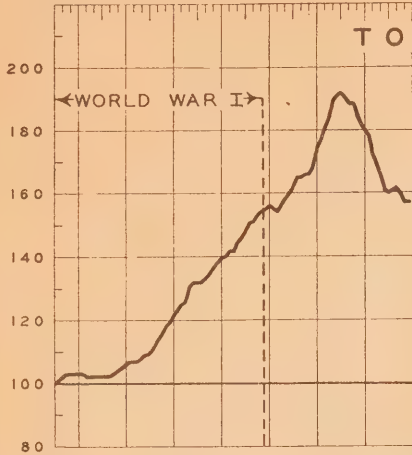
Price adjustments since the end of the war have not greatly changed the balance of the price structure. While the index of the prices of manufactured goods showed a slightly larger rise than did that of farm products, the latter index does not take any account of the possibility of participation payments on the last two wheat crops. In short, the relationship between farm and other prices has remained a comparatively favourable one. Related to 1935-39, the prices of farm products are up about 59 per cent and those of manufactured goods, about 34 per cent.

C. COST OF LIVING CHANGES

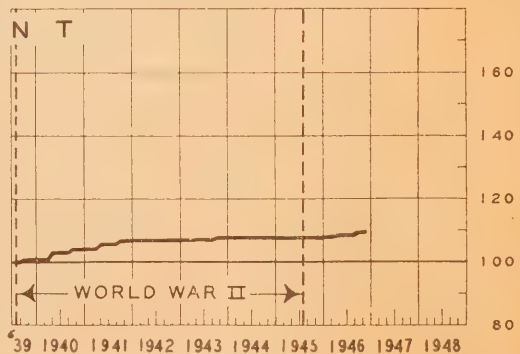
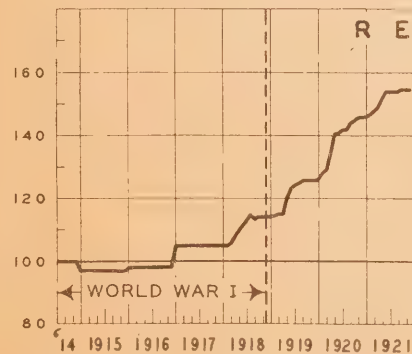
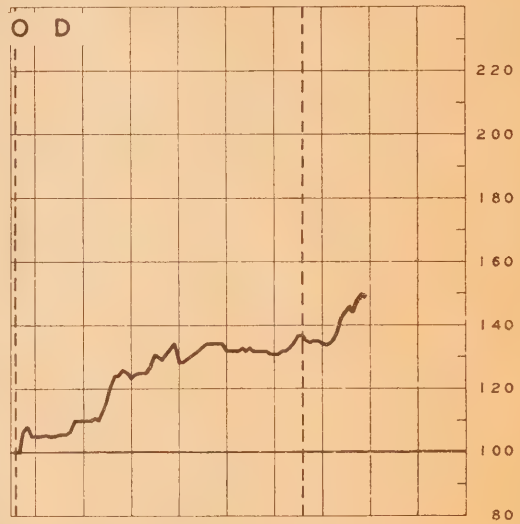
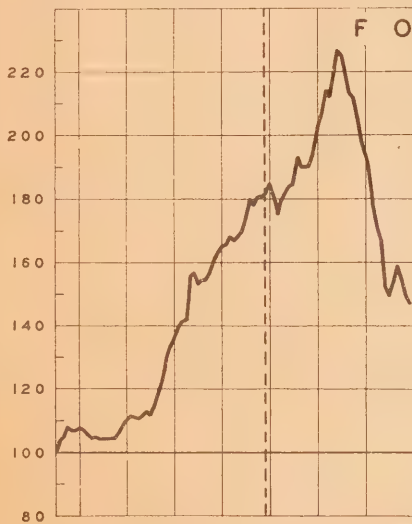
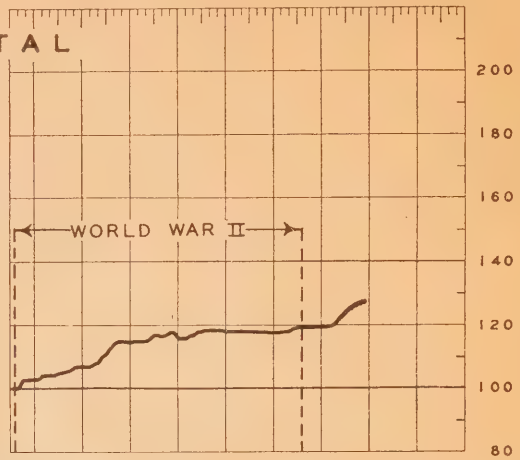
The effects of the material reduction in subsidy payments were steadily felt in higher retail prices and other post-war price increases continued to become evident at the retail level. As a result, the official cost of living index at January 2, 1947, stood at 126.0, on the base August, 1939 = 100, a rise of 6.5 points or 5.4 per cent above the level prevailing at the end of the war in August, 1945. As will be seen in the following table, most of the major classifications of living costs shared in this increase, and some groups such as clothing and home furnishings and services showed significant advances after several years of comparative stability.

COMPONENTS OF THE COST OF LIVING INDEX

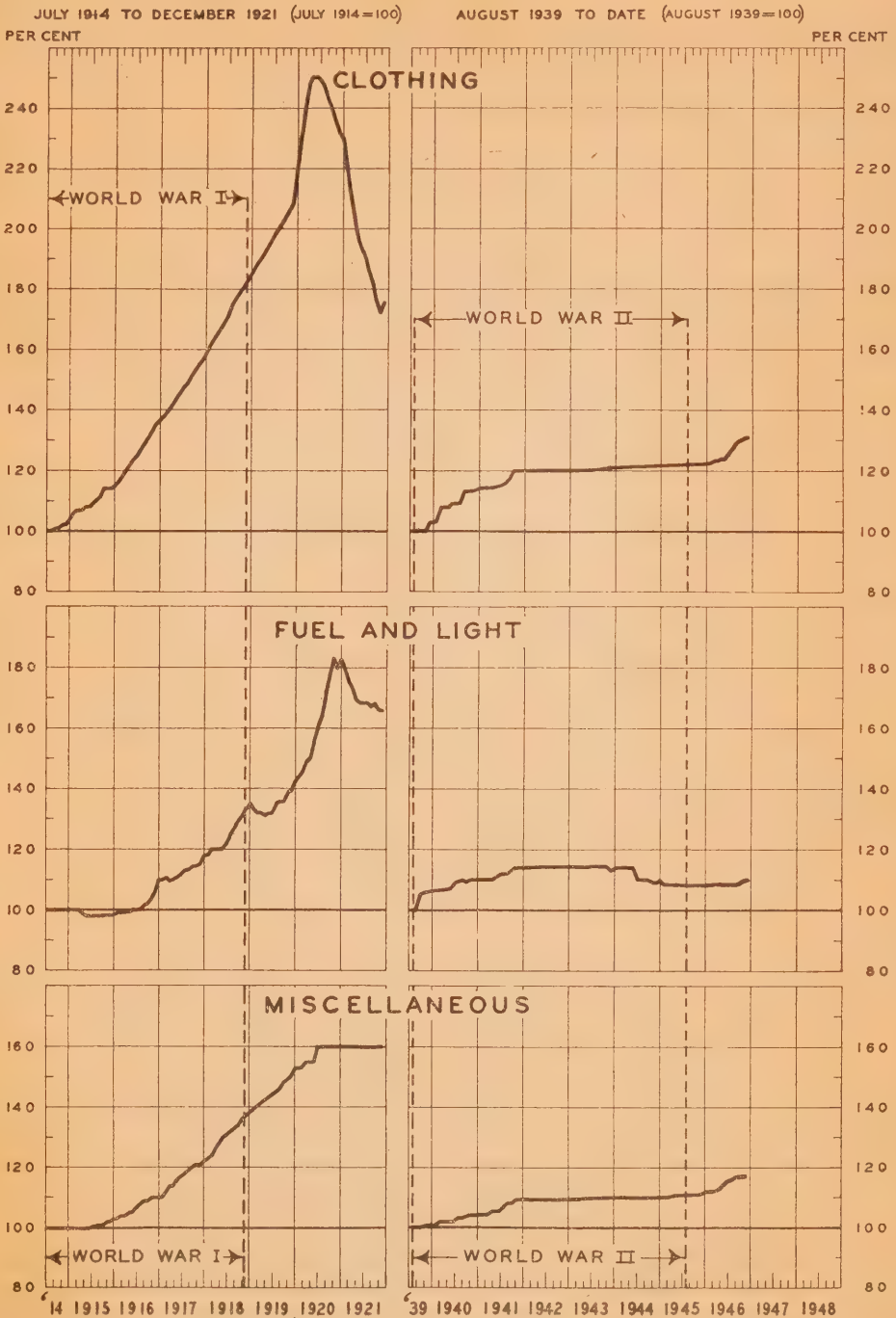
JULY 1914 TO DECEMBER 1921 (JULY 1914=100)
PER CENT



AUGUST 1939 TO DATE (AUGUST 1939=100)
PER CENT



COMPONENTS OF THE COST OF LIVING INDEX



POINT CHANGES IN MAIN GROUPS OF THE COST OF LIVING INDEX

(August, 1939=100)

Group	August, 1939 to October, 1941	October, 1941 to August, 1945	August, 1945 to January, 1947	August, 1939 to January, 1947
Total Index.....	14.6	4.9	6.5	26.0
Food.....	24.1	13.1	9.3	46.5
Rent.....	7.1	0.9	1.2	9.2
Fuel & Lighting.....	13.2	5.6	2.5	10.1
Clothing.....	19.5	2.5	9.4	31.4
Home Furnishings & Services.....	16.3	1.9	10.4	28.6
Miscellaneous.....	5.1	3.0	5.1	13.2

The relative importance of these price changes in their effect of the total cost of living index is shown in the next table which expresses the changes in each component group in terms of its contribution to the changes in the total cost of living index.

MOVEMENTS IN THE COST OF LIVING INDEX, AUGUST 1, 1939 TO JANUARY 2, 1947

(August 1939=100)

Points added in Total Index by Component Groups

Group	Aug. 1, 1939 to Oct. 1, 1941	Oct. 1, 1941 to Aug. 1, 1945	Aug. 1, 1945 to Jan. 2, 1947	Aug. 1, 1939 to Jan. 2, 1947
Food.....	+7.38	+4.05	+2.96	+14.41
Milk.....	+0.49	-0.73	+2.15	+1.91
Other Dairy Products.....	+1.56	+0.04	+0.69	+2.31
Eggs.....	+0.69	+0.26	+0.13	+1.08
Beef and Veal.....	+1.35	+1.49	+0.31	+3.16
Pork Products.....	+1.12	+0.49	+0.71	+2.33
Other meats & fish.....	+0.18	+0.34	+0.00	+0.52
Cereals.....	+0.42	+0.01	+0.07	+0.50
Dry Groceries.....	+1.01	-0.12	+0.08	+0.95
Vegetables.....	-0.02	+1.68	-1.20	+0.46
Fruits.....	+0.58	+0.59	+0.02	+1.19
Rent.....	+1.41	+0.11	+0.22	+1.74
Fuel & Lighting.....	+0.79	-0.34	+0.15	+0.61
Clothing.....	+2.34	+0.30	+1.13	+3.76
Home Furnishings & Services.....	+1.48	+0.17	+0.87	+2.57
Miscellaneous.....	+1.20	+0.65	+1.17	+2.93
Total Change.....	+14.6	+4.9	+6.5	+26.0

The two price increases for milk were by far the most important single factor in the rise in the index between August, 1945 and December, 1946. In terms of their effects on the index, the price increases in butter, beef and pork were also important. Prices of potatoes and other fresh vegetables were at or close to their low point of the year in December, 1946, and were thus at a lower level than in August, 1945. In a similar manner, egg prices in December, 1946, were near their seasonal high point and this accounts for much of the increase over the post-war period. During 1946, a variety of price increases occurred in the non-food groups, largely attribut-

able to industry-wide adjustments to compensate for higher costs of production, including subsidy reductions. Thus, higher ceilings were authorized on suits, topcoats, shirts, underwear, work clothes, piece goods, hard and upholstered furniture and hardware. The prices of a number of miscellaneous items rose during the year, including some newspapers, magazine rates, tobacco, medical services, hospital rates, barbers' charges and life insurance costs. Scattered increases in rents were noticeable, while fuel and lighting costs rose chiefly as a result of higher prices for Western coal.

APPENDICES

The appendices are as of December 31, 1946, with the exception of appendices A, E and F which are up to date as of February 1, 1947

APPENDIX A

A-1—ECONOMIC AND FINANCIAL POLICY

Statement by the
Right Hon. J. L. ILSLEY
Minister of Finance
 Ottawa, July 5, 1946

I wish to announce to the house several important steps which the government is taking in the economic and financial field in order to prevent undue increases in the cost of living and costs of production, improve the effectiveness of price control, encourage a greater supply of scarce goods which we import from other countries, and generally strengthen the stabilization programme and facilitate an orderly post-war adjustment of the Canadian economy while protecting it from the major effects of adverse developments outside our borders.

It is now almost six months since the Prime Minister in a public statement gave a comprehensive review of the anti-inflation policy in the light of the post-war situation. At that time it was said that essential controls would be maintained so long as emergency economic conditions arising out of or resulting from the war required special action to preserve economic stability. But it was also stated that, in order to assist the process of conversion from war to peace production and the many adjustments that had to be made to post-war conditions, a degree of flexibility would be recognized in the administration of price control, and that progress would be made in removing controls that were no longer necessary or desirable.

Early post-war developments were not unfavourable. Reconversion unemployment did not occur on the scale which some had feared, demobilization proceeded with comparative smoothness and rapidity, and the evils of both inflation and deflation were avoided. In many lines there has been a marked increase in

the supply of goods and services available to consumers, and this will be further apparent to civilian consumers in the near future as the special requirements of demobilized members of the armed forces are satisfied. In the case of some other goods, however, various interruptions have seriously delayed the progress of production and distribution.

When parliament gave its approval to the National Emergency Transitional Powers Act last December, it recognized that the emergency economic conditions which prevailed at that time would continue to endanger the stability of the Canadian economy for at least another year, and that certain measures such as price controls and rationing would have to be continued. Most of us hoped that the situation which made these controls necessary would gradually improve. In recent months and weeks, however, a series of developments of increasing seriousness have combined to create a great and growing threat to our national stabilization programme.

Perhaps the greatest threat to the stability of prices in Canada comes from the rise in prices in the United States and, to a lesser extent, in other countries. The present position with respect to the future of price control in the United States is confused and uncertain. Without presuming to forecast what will happen in the legislative sphere, recent developments would seem to suggest that further increases in prices in that country are likely to occur. Indeed, quite aside from recent congressional developments, the fact is that prices in the United States have been rising steadily for some time

and are already at a level substantially above the Canadian level when compared with the normal or pre-war position. In view of the strong commercial ties between this country and the United States, this trend has naturally exercised an increasingly strong upward pressure upon Canadian costs and prices, which we have sought to resist or neutralize as best we could. To a lesser extent, increases in prices in other countries than the United States have had the same effect. Higher prices for Canadian imports tend to push up production costs and the cost of living in Canada, except to the extent that these increases are offset by subsidy payments, or absorbed by Canadian importers and distributors. Every increase in foreign prices for our own export products also stimulates pressures for increases in the domestic price of such commodities. It tends to divert more of these commodities to the export market, and compels us to strengthen our controls over distribution so as to retain sufficient supplies for use in Canada itself.

But while the greatest threat to the stability of prices in Canada arises outside our own borders, the situation in Canada itself is not free from difficulty. The same tendencies that are present in almost every other country to-day are working in Canada also to raise prices. Most of the price increases which have been authorized in Canada in recent months, and which have naturally given rise to concern on the part of the public, were the result of an accumulation of cost increases (increases in labour and material costs and the like) which have been going on for five years. Moreover, the continued shortage of materials, and shortages of labour in certain lines, are tending to raise costs of production still further and to push prices up.

Still other price increases have resulted from the necessity of encouraging the production of needed but less profitable lines of goods as against the more profitable alternatives available to the same producers. The removal or reduction of subsidy payments on certain imports and domestic products have also given rise to price increases in recent months.

On the other side of the picture, it is clear to every observer that, with employment and consumer spending power being maintained the way they have, the demand for goods has continued to rise ever

since the end of the war. In this situation many goods are still relatively scarce and this, too, creates another upward pressure on prices.

The whole combination of actual and prospective price rises abroad, shortages of goods which we urgently need from abroad, and delays in domestic production, taken in conjunction with the difficulties of providing effective administration of controls in a transitional period, undoubtedly threaten to undermine price control in Canada unless strenuous measures of defence are taken now.

Accordingly I wish to announce the government's decision to take four major steps to implement this country's determination to maintain order, stability and independence in its economic and financial affairs. These measures we feel will go a long way toward insulating Canada against unfavourable external conditions and easing the inflationary pressures which are now so strong.

The first of these is the issuance of a long but simple and clear list of all goods and services which continue subject to price control, a list which includes practically all articles of significance in the normal household budget and in the costs of production of farmers, fishermen and other primary producers. The result of this will be to suspend from price control a number of less important articles which create administrative trouble and red tape out of all proportion to their importance.

That list is contained in an order of the wartime prices and trade board, of which I am tabling copies now. It tells exactly what goods are subject to price control. The next question is, how is control to be exercised? As regards domestic products the answer is that the principles of price control remain the same as heretofore, that is, maximum prices are based on prices in effect in October 1941, or on specific price ceilings or regulated prices named in orders of the prices board, and price increases are in general authorized by the board only where over-all financial need is proved. As regards imported goods, however, a change is being made which constitutes the second of the major announcements which I have to make. Hereafter all imported goods of a kind subject to price control, unless specifically dealt with on another basis in orders of the board, will be priced on the basis of the importer's landed costs, plus a pre-

scribed maximum mark-up in each case which will be somewhat less than the mark-up normally obtained by distributors of similar domestic goods.

Thirdly, for reasons which I shall discuss at some length later on, it has been decided to adjust the rate of exchange of the Canadian dollar to parity with the United States dollar. This change is effective immediately, that is to say, at 8 p.m. eastern daylight saving time. Banks and other authorized agents of the foreign exchange control board will now buy United States dollars at \$1 Canadian funds, and sell at \$1.00½. Similarly, the buying rate for pounds sterling will now be \$4.02, and the selling rate \$4.04. I wish to draw special attention to the fact that persons accepting United States dollars from tourists should now do so at par, that is to say, dollar for dollar, instead of at a premium.

The fourth matter which I wish to mention is that the policy of paying subsidies will remain in effect in order to prevent undue increases in prices of articles of major importance in the consumer's cost of living or in primary producer's costs of production.

Having described in brief the four main features of this programme, I should like now to give the house and the people of Canada some more detailed description and explanation of the steps we are taking.

First, in order to reassure the public and industry that the government has no intention of dismantling the system of price control so long as the emergency exists, we have prepared a definitive and detailed list of all the goods and services which will remain under price control. I am aware that the decision made several months ago to suspend certain goods and services from price control, necessary as that was, has been followed by a certain amount of public confusion and uneasiness. But it will be agreed as a general principle that, as part of our gradual progress towards decontrol, and in order to lighten the heavy burden of administration, it is desirable to remove price ceilings from items which are trivial or unimportant to most consumers or producers, and from all items which are in such ample supply that price ceilings are no longer needed to keep prices within reasonable bounds. The present measure recognizes this and has the effect of removing from control a substantial number

of individual items. This measure has the further merit that, by concentrating its attention on those things which matter most, the prices board will be able to make more effective use of the staff at its disposal.

The list of goods and groups of goods and services still under control is very large, so large that some may feel it should be further reduced. It is intended to cover virtually all of the items which are of everyday importance in the household budget, and many more; and also all the items of chief importance in costs of production. In general, basic materials are included and almost all parts and components of consumer goods. So far as the consumer is concerned, practically all food, fuel, clothing, textiles and leather goods remain under control, as well as the significant items under the headings of kitchenware, hardware, household appliances, radios, automobiles, furniture, house furnishings and building materials. The farmer or fisherman will observe that most of the goods he needs to purchase to assist him in production are also included. The control of rents, I should add, remains unchanged.

At this point I want to emphasize that no increase in the ceiling prices of domestic goods remaining under control is involved in this step. The basis of price control continues to be the prices already authorized by the wartime prices and trade board. Demands for price increases will continue to be resisted, except in cases where the financial need of the producer concerned make some upward adjustment imperative.

The second step which the government has authorized the prices board to take, that relating to prices of imported goods, is one which has been forced by external circumstances over which we have no control. The new system may be briefly described as follows: an order of the prices board will be issued establishing maximum mark-ups over landed costs for a wide list of imported consumer goods. The mark-up will be somewhat less than normal, in order to minimize any adverse effect on consumer prices in Canada, prevent pyramiding of foreign price increases, and remove any temptation to handle imported goods rather than domestic goods if domestic goods are available in adequate quantity.

It will be recalled that, commencing in February last, the prices board has been permitting imports from the United Kingdom and those war-ravaged countries which were so recently our allies to enter this country on somewhat the same terms as those now extended to all countries. It is expected that as a result of this action, goods which were in danger of being excluded from Canada in the operation of our own price control policy will begin to be imported more freely as conditions of supply improve. We are taking the view that it is better to get the goods, even at a higher price, than to insist that domestic price ceilings must be maintained on imports, which in many cases makes importation impossible. In so doing we are taking a step towards decontrol and providing for an extension of a two-way system of trade without seriously endangering our price control programme at large. Needless to say, this decision will also assist considerably in easing the administrative burden of the prices board. Applications for specific price increases on imported goods, with the exceptions noted, will no longer be necessary. The general law applicable to such goods is simple and clear, and provides for automatic flexibility in accordance with movements of foreign prices whether up or down.

It should be noted, however, that the new system does not apply to imported foods or to imports of goods eligible for subsidy. Existing price control orders will continue to apply to such goods. There are also a number of other classes of goods such as imported motor vehicles, farm implements and household appliances, which will not be in this list because they are already controlled by specific board orders on a somewhat similar basis, or will be so controlled upon application and investigation.

The adjustment in the exchange rate will help to offset the effect of high and rising prices in other countries. It will mean that the cost of imports will be 10 per cent less, in Canadian-dollar terms, than would otherwise have been the case. This is important in respect of machinery, equipment and supplies, and a wide variety of consumers' goods. In fact, we may hope that in some cases there will be an actual decrease below present costs of imports. In any event, as a result of the movement of the rate, actual or prospec-

tive increases in other countries' prices of such items as coal, crude oil, gasoline, farm implements, sisal for binder twine, clothing and textiles, citrus fruits, bananas, coffee, tea, sugar, etc., will be restricted in their effect upon Canadian prices, and the task of holding a reasonable level of costs by means of subsidies on essential imports will be kept within manageable proportions.

Another benefit from this change will be that prices of goods which we normally buy from England, France and a number of other countries will now be more in line with our prices with the result that we will receive more goods from them. They will receive more Canadian dollars from their commerce with us and so be less dependent on inter-governmental loans to finance their purchases from us.

Before dealing further with the question of exchange rate, it will be convenient here to comment on the policy with respect to subsidies. The change in import price policy does not affect imports of materials basic to the cost of living which are presently being subsidized. We may find it necessary to increase these subsidy payments, notwithstanding the government's desire to reduce and ultimately eliminate all wartime subsidies of this character. And the same will be true of certain important domestic subsidies. It had originally been intended that the prices board would be able to withdraw from practically all subsidy arrangements by the end of 1946, and actually a good deal of progress has already been made in this direction. However, as I have said, the government feels the time is not opportune for any further major removal of subsidies and, having in mind the likelihood of rising prices in foreign markets, it is possible that we may not be able to reduce our total subsidy bill for this current year to the extent that we had expected.

I come now to the question of the exchange rate. The other proposals, it might be said, are principles of policy, and make for greater administrative efficiency, and for greater public assurance as to what is under price control, and as to how that control is to be exercised, but they do not actually attack the inflationary pressures at their source, except perhaps through subsidies.

Undoubtedly the greatest present source of inflationary pressure lies in the high and still rising price levels of other coun-

tries. Prices in other countries directly affect the prices of our exports and imports, and ultimately, through their influence on costs, affect the prices of virtually all our goods and services. Foreign prices are translated into Canadian equivalents through the medium of the exchange rate, and the question of the appropriate rate of exchange for the Canadian dollar is a matter of major importance in its own right, as well as in relation to price control.

Our present situation is that a very marked difference has developed between the general price levels of Canada and the United States, especially if American prices are translated into Canadian funds by the addition of 10 per cent exchange premium. The depreciation of the Canadian dollar by 10 per cent at the beginning of the war caused an immediate increase in many of our prices as compared with the United States. In the course of time our entire price structure might have reflected, on the average, the full 10 per cent difference in the values of our two currencies. The application of price ceilings, however, came sooner in Canada, and had a more restraining influence on price increases here than in the United States. The result was that by the end of the war our general level of wholesale prices had increased on the whole no more than theirs, despite the 10 per cent exchange differential. In respect of retail prices and the cost of living the disparity is even more marked, for the United States index had by May of this year increased 33 per cent over the level of August, 1939, compared with an increase of 21 per cent in Canada.

It has become increasingly clear that we could not continue to maintain a price structure which is roughly 10 per cent out of balance in terms of our exchange rate, or, looking at it the other way round, to maintain an exchange rate which is roughly 10 per cent out of line with our price structure.

If world prices, or at least American prices, had declined soon after the war, or showed any likelihood now of an early decline, no doubt it would be better for us to continue without changing the rate; but instead United States prices and costs have risen, and it is most unlikely that a major decline of the general price level can occur during the transitional period

when both the foreign and the domestic demand for goods is so strong.

Accordingly, when this trend became clear, we were faced with the alternative of either changing the exchange rate, or of setting in motion, as the process of de-control continued, an increase in our own price and cost structure, more or less to the American level plus 10 per cent. What this last would mean in terms of high cost of living, social unrest, and wage conflicts, can readily be imagined. The government has decided that such an extra measure of inflation, additional to whatever price increases may otherwise be necessary if we are ever to complete the adjustment to post-war conditions, would have the most serious disruptive effects on the entire economic and social structure of our country, and must be prevented by the only action which in the long run can prevent it.

There are a number of further points I should mention, to avoid misunderstanding. I would not want anyone to think that by this action we were conflicting with the rules of the international monetary fund or using up our freedom of action to make other changes at a later time if we saw fit to do so. We propose to notify the fund that the new rate is the proper initial rate for Canada at the time the fund commences to operate. We believe that the circumstances are such as to make this new rate acceptable to the fund as the initial rate for the Canadian dollar. In such event we retain the same freedom as any other member to move the rate later up or down by as much as 10 per cent without the fund's approval, and by other amounts in accordance with the provisions of the fund agreement, if circumstances should arise which made such a move on our part seem necessary and desirable.

I have emphasized, for the sake of clarity, our future freedom of action in this regard. But we do not propose—no Canadian government would ever propose—to move the exchange rate with every passing wind. The present move is only being made after very careful study and deliberation over a considerable period. I should like to reaffirm what I said on June 17 last, when introducing in this house the foreign exchange control bill, with reference to the great advantages obtainable by maintaining exchange stability for as long a period as economic conditions may justify. To maintain that

desirable degree of stability, to avoid erratic and frequent fluctuations, as well as to protect ourselves against speculative or otherwise undesirable capital movements, we must maintain the principles and the administrative machinery of foreign exchange control. The present action does not in any way change that, for exchange control is as necessary at one level of rates as at another.

The alteration of the exchange rate at this time takes on added significance in the light of very recent developments in the United States. Even before the recent difficulties over price control legislation, however, price increases in the United States and further increases in prospect as a result of cost increases, were such as to make the case for restoring parity of exchange a strong one on economic grounds. The rapid deterioration in price control in the United States in recent weeks aggravated the situation, and emphasized the need for our action on practical grounds, to cushion the immediate impact of higher United States prices. But whatever the United States may do in the future to revive the office of price administration and restore price ceilings in the United States, the divergence of the price levels in our two countries had already gone too far to permit the continuation of what had become an unrealistic exchange rate.

I have spoken several times of the general level of prices, and of the fact that our price structure as a whole has been prevented, so far, from showing the effects of the 10 per cent exchange premium. The total price level is composed of many different prices, some of which have been held far below the American level; others have, in respect of exports at least, already fully reflected the increases in the United States and the 10 per cent exchange premium as well. It is a fact, therefore, that some industries which export chiefly to the United States have already obtained, for their exports though not for their domestic sales, the benefit of higher American prices which, when converted to Canadian currency, yielded them an additional premium of 10 per cent which will no longer be available.

We must recognize that the disappearance of that premium will have some unfavourable effects for a number of industries. But I think we must also recognize that the action which is being

taken is clearly desirable in the interest of the country as a whole, and that therefore it will also be in the long-run interest of Canadian industry. Moreover, this action is being taken at a time when the unfavourable effects will be minimized for practically every one of our great export industries with the exception of gold mining. In the case of agricultural products, for example, export prices are now almost entirely expressed in Canadian dollars rather than in foreign currencies; the same is true of a number of other products, and to the extent that exports to certain markets are still priced in foreign currency, there is in most cases a firm and rising price level in such markets. In any event, our export industries share with our domestic industry the benefits of our stabilization policy and the lower costs of production which it makes possible.

Indeed, unless we absolutely refuse to consider the possibility of ever restoring our dollar to parity with the American dollar regardless of their intrinsic values, it would be difficult to conceive of an occasion more appropriate than the present time.

That completes what I wish to say at this time about specific measures, the strenuous measures which I said earlier the present situation calls for. I believe they are necessary, and that they are also adequate for the job we have to do until full peace-time production is restored and supply is in better balance with demand. But that job is not easy, and success will continue to depend, as we must all recognize it has always depended, upon public understanding and support. That support implies a widespread feeling of responsibility, of restraint, of moderation in individual and collective action.

When all is said and done, the objectives of our national stabilization programme are the preservation of real social values, the protection of the value of real wages, of the real incomes of primary producers, of the real value of the income of pensioners, and teachers and office workers, and of the war-time savings of so many millions of Canadians.

Demands for increases in actual money wages, if pushed to extremes, lead only to conflict and turmoil, and in the end are worthless if they result in skyrocketing prices and a corresponding fall in the value of money. It is to protect the real value of the workman's wage and the

purchasing power of the housewife's dollar that we are continuing the struggle to avoid price and wage increases beyond such reasonable amounts as are seen to be justified by changed conditions.

The same is true of farm prices and costs, both the farm household's living costs and the farm operator's costs of production. The farmer above all has reason to fear a substantial increase in his costs, for one thing because he knows how rigid those costs prove to be at a time when his own prices may be depressed. The government has endeavoured by its policy of floor prices to insure farmers against sharp declines in agricultural prices in the future. But in the meantime, and for the future as well, it will be recognized by all farmers as essential to their welfare to keep their costs of production, I do not say absolutely fixed, but within reasonable limits. For this purpose, no amount of increase in farm prices, to be followed by an inevitable decline in the usual boom and collapse cycle could possibly provide adequate compensation. It is the preservation of a reasonable balance that we must strive for, and it is by holding in check the farmer's costs that we can do him the best service.

The war, and the experience of other countries, have indeed taught us the vital importance of keeping all inflationary pressures under firm control until supply and demand conditions are in a more normal relationship. The present Canadian programme should strengthen our hands in that regard. We have removed uncertainties and simplified administration by preparing a specific list of goods and services whose prices are under control. We have re-affirmed the principles of price control, and of adjustments where necessity is proved, in respect of Canadian products. We have established a simple and workable pricing principle for imports, which among other things will ensure a continued flow of whatever goods are available from other countries despite fluctuations in foreign prices. We will reduce the impact of increases in foreign prices of the most essential goods by continuing and if necessary increasing subsidies. Finally, we have taken a step which will reduce the cost of imported goods, or will offset increases that would otherwise occur, through our action in moving the exchange rate to a point which more accurately reflects the true international and domestic value of the Canadian dollar.

A-2—STATEMENT ON PRICE CONTROL

by the Hon. DOUGLAS ABBOTT

Minister of Finance

Ottawa, January 11, 1947

A further step in the orderly removal of emergency controls becomes effective January 13, 1947. It involves the removal of a variety of goods and services from price control, reducing the controlled list largely to goods of basic importance in living costs and production costs.

This change is in accordance with the policy of controlled readjustment which was outlined by the Prime Minister early in 1946. It is part of a deliberate and carefully considered plan, designed to eliminate war-imposed restrictions just as promptly as is consistent with the prevention of the sort of boom and collapse in prices which was typical of developments after the first world war.

At the beginning of 1946, it was hoped that the year would see a long step toward

the removal of emergency controls. Material progress was made in removing and reducing certain subsidies and in suspending less important items from the provisions of price control. Unfortunately, however, external conditions, particularly in the United States, increased the pressures on Canadian prices and delayed decontrol. Early in July the Government found it necessary to take a number of steps to protect Canadians against the effects of soaring prices in foreign markets. Industrial disputes in the United States and later in Canada delayed somewhat the expansion in production which would have reduced inflationary pressures.

It is now a good deal more than a year since the end of hostilities and marked progress has been made in establishing a

high level of peacetime activities. Production, though hampered by shortages of materials and by the effects of industrial disputes, is now increasing rapidly. While there are still many shortages—some of them severe—competition is increasing and producers are less inclined to assume that the market will readily absorb price advances. Many countries have been experiencing soaring prices since the end of the war but there are now signs that this price boom may be running its course.

The outlook for a better balance between supply and demand is therefore beginning to brighten. The menace of soaring prices is beginning to recede in some directions.

Nevertheless, it is only too evident that the time is not yet ripe to remove all price controls. Prices of many basic foods, clothing, certain basic materials, and rentals would increase very substantially if all controls were now removed.

Consequently the list of goods and services which still remain subject to price control contains most of the basic foods, practically all articles of clothing, boots and shoes, most textile home furnishings, coal and wood fuels, the major household appliances and heating and plumbing equipment, automobiles, tires and gasoline, rentals, household laundry services, restaurant prices, freight rates, storage rates, a variety of basic materials such as steel, copper, rubber, lumber and pulp, and certain other goods which are important in production costs such as farm machinery. The list of items remaining under control, which is being announced in detail by the Prices Board today, affords continued protection to the consumer in the places where the risk and the effects of rising prices are greatest.

Among the goods which are being released from price control are the majority of items which may be described as household equipment and supplies, including furniture, small appliances, kitchen and cooking utensils, tableware and cutlery, brooms and brushes, pails, radios, pianos and clocks. Tools and garden equipment, handbags and leather luggage, paints and varnishes, and a number of building supplies such as clay products, cement, stone, and sheet metal products are also decontrolled. In the sphere of food, the important deletions are fresh vegetables and fresh fruits except for apples, most kinds

of fish, and ice. Certain imported foods, such as tapioca, fruit juices, and peanuts are also deleted as well as canned fruits and vegetables other than the large staple items. Carpets and linoleum are the main items in the sphere of textiles. Only a few articles containing cotton are decontrolled because of the continuing shortages and the large subsidies which are still being paid on the primary materials. Among the services, barbering, hair-dressing and beauty parlour prices and moving picture admissions are no longer subject to price control.

There are a number of reasons behind the choice of these items for release from price control.

Improvement in Supplies. When supplies are good, and particularly when they are sufficiently ample to produce prices below established ceilings, as in the case of a number of fresh vegetables, there is every reason for decontrol. When supplies of goods which are not fully adequate show every sign of improving further and when competition is increasing, as in the case of many household articles, there is also strong reason to remove price control. When competition in world markets is becoming keener and supplies are fairly satisfactory, as is generally the situation with fish, removal of price control is justified, though in some cases it remains necessary to maintain control over the quantity of exports to assure sufficient supplies in the domestic market.

Administrative Problems. The burden, expense and complexity of administration when viewed against the lessening risk of serious price advances threw the balance toward decontrol in some fields. To an increasing extent, the relationship of prices as between standard and new lines in some businesses appeared to be having the effect of encouraging the production of new lines at the expense of output in lower-priced standard lines. This problem existed in regard to furniture and some household utensils, and could not, at this stage, be entirely met under the general price control policy. Then again, there were a number of fields in which necessary price adjustments were pending. When this was the case and when it was believed that competition was growing and con-

sumer resistance likely to develop in any event, decontrol seemed to be the best course.

There was also a risk that ceiling prices might come to be regarded as minimum prices—as the prices which the Government authorized sellers to charge. Accordingly, in some cases where the threat of sharp price increases was passing, the Government was disposed to withdraw from price control and to let the trade consider its own longer-range position without any suggestion of government intervention.

In the case of some imports such as tapioca, arrowroot, and peanuts it was necessary to choose between the alternatives of letting the going world price be reflected in Canada, of maintaining ceilings by payment of substantial subsidies, or of going without such imported commodities. In these circumstances, the course of decontrol was chosen.

For the majority of the items being decontrolled, significant price increases are not anticipated. In some cases, price advances will occur, though in most of these instances increases could not have been avoided even if control had been maintained.

As was stated a year ago and as was emphasized on a number of subsequent occasions, the Government's policy of controlled readjustment recognized the probability of some increase in prices and living costs. During the past year, it has been necessary to face the facts that costs of materials and labour are higher and that prices have risen substantially in other countries. That is clearly reflected in the increase in the Cost of Living Index from

a level about 20 per cent over the pre-war average on December 1, 1945, to one of 27 per cent over that average on December 1, 1946.

While this is a significant rise in living costs, in the very difficult circumstances of readjustment it is a record in which Canadians may take some pride. The corresponding advance in the United States was from a level of 29 per cent above the pre-war average on November 15, 1945, to one of 52 per cent above the same average on November 15, 1946. In other words, while the Canadian cost of living rose 7 points, the American rose no less than 23.

A considerable readjustment has been made. It has been gradual and orderly and the intention is to continue that process. Other price adjustments will be required from time to time as a result of the gradual reduction and removal of subsidies and of readjustment to higher levels of costs and prices both at home and abroad.

It is well to remember, however, that external prices have been reflecting acute, and in many cases temporary, shortages. It should not be assumed, therefore, that the Canadian price level will ultimately reflect the very high prices which at the moment prevail in the United States and elsewhere. There are good grounds for the view that world prices of many primary commodities may settle at more reasonable levels than those now prevailing. The goal of the Government's stabilization policy has always been and still is to preserve orderly conditions with a view to cutting off the disrupting peak in post-war prices and to avoiding or at least greatly lessening the drop which inevitably follows.

APPENDIX B

DIRECTORY OF OFFICIALS

B-1—THE WARTIME PRICES AND TRADE BOARD

Minister: Hon. Douglas C. Abbott, Minister of Finance.

Present membership with dates of appointment:

Chairman: D. Gordon, Deputy Governor, Bank of Canada, November 10, 1941.

Deputy Chairman: K. W. Taylor, March 2, 1945.

Members: H. B. McKinnon, Chairman of the Tariff Board, September 3, 1939.

David Sim, Deputy Minister of National Revenue for Customs and Excise,
September 3, 1939.

F. A. McGregor, Commissioner of the Combines Investigation Act, Department of
Justice, September 3, 1939.

A. M. Shaw, Director of Marketing Service, Department of Agriculture,
September 9, 1939.

J. G. Bouchard, Assistant Deputy Minister of Agriculture, November 13, 1941.

Arthur MacNamara, Deputy Minister of Labour, March 9, 1943.

M. W. Mackenzie, Deputy Minister, Department of Trade and Commerce,
June 16, 1945.

V. W. Scully, Deputy Minister, Department of Reconstruction and Supply,
August 1, 1946.

J. E. VanBuskirk, President, Commodity Prices Stabilization Corporation, Limited,
December 24, 1946.

Secretary: A. F. W. Plumptre, March 15, 1945.

Special Adviser: S. R. Noble, November 12, 1941.

Resignations: M. W. McCutcheon, Deputy Chairman, September 30, 1946.

W. A. Mackintosh, Director General of Economic Research, Department of
Reconstruction and Supply, August 1, 1946.

B-2—ASSOCIATED COMPANIES

Commodity Prices Stabilization Corporation Limited

President—J. E. VanBuskirk
Vice-President—W. T. Wilson
Comptroller and Treasurer—W. Williamson
Secretary—Frank Plant.

Directors—J. E. VanBuskirk, W. D. Low,
J. D. C. Mahaffy, L. P. Saint-Amour,
M. W. Sharp, David Sim,
W. Williamson, W. T. Wilson.

Wartime Food Corporation

President—R. T. Mohan
Vice-President—K. W. Taylor
General Manager—J. B. Lander
Secretary-Treasurer—J. W. Shepherd

Directors: Raoul Godbout,
A. R. Johnstone, R. T. Mohan,
Carl Sanders, K. W. Taylor,
J. E. VanBuskirk.

*Canadian Wool Board Limited**

President—Henry Brown
Vice-President—G. E. O'Brien
General Manager—G. N. Brown
Secretary-Treasurer—G. W. Fraser

Directors—Henry Brown,
G. W. Fraser, H. S. Leybourne,
G. E. O'Brien, A. M. Shaw, H. F. Skey,
W. H. J. Tisdale, W. P. Walker.

* Last day of operations December 31, 1946.

B-3—HEAD OFFICE DIVISIONS

Prices Division—E. J. Spence, Chief
Secretary's Division—A. F. W. Plumptre,
Secretary
Enforcement Administration—W. F. Spence,
Administrator
Legal Branch—H. D. Anger,
Senior Solicitor

Comptroller's Division—W. T. Wilson,
Comptroller
Research Division—J. D. Gibson, Chief
Information Branch—R. S. Mackay, Director
Consumer Branch: Mme C. de la Durantaye,
Director *

* Byrne Sanders resigned Dec. 31, 1946.

APPENDIX C

CO-ORDINATIONS AND ADMINISTRATIONS

*Capital Equipment and Durable Goods**Co-ordination*

Co-ordinator—Arthur May

Administrations—

Bedding and Metal Furniture
 Chemicals
 Construction Products
 Electrical Goods and Sundry Items
 Fabricated Metals
 Farm and Construction Machinery and
 Municipal Service Equipment
 Motor Vehicles and Parts
 Non-Ferrous Metals (Primary)
 Steel and Iron (Primary)
 Wood and Glass Products

Pulp and Paper Co-ordination

Co-ordinator—Wilbert H. Howard
 Deputy Co-ordinator—C. N. Moisan
 Deputy Co-ordinator—F. L. Mitchell

Administrations—

Book and Writing Paper
 Building Papers, Wallboard and Asphalt
 Roofing
 Newsprint
 Packages and Converted Paper Products
 Paperboard
 Shipping Cases
 Wallpaper
 Woodpulp
 Wrapping Paper

Textile and Clothing Co-ordination

Co-ordinator—F. B. Walls
 Associate Co-ordinator—J. A. Klein

Administrations—

Cotton and Cotton Products
 Fine Clothing (Woollens)
 Footwear
 Hides and Leather
 Knit Goods

Men's and Boys' Furnishings
 Rayon and Rayon Products
 Textile Sundries
 Women's, Misses' and Children's Wear
 Women's and Misses Coats and Suits
 Wool and Wool Products
 Work Clothing

Foods Co-ordination

Co-ordinator—F. S. Gridale
 Deputy Co-ordinator—F. T. W. Saunders

Administrations—

Bread and Bakery Products
 Cocoa, Confectionery and Allied Products
 Dairy Products
 Feeds
 Fertilizers and Pesticides
 Fish and Fish Products
 Flour
 Fresh Fruits and Vegetables
 Ice
 Imported Grocery Items
 Meat and Meat Products
 Oils and Fats
 Processed Fruits and Vegetables
 Sugar
 Tea and Coffee

Individual Administrations

*Coal
 Distributive Trades
 Enforcement
 Publishing, Printing and Allied Industries
 Ration
 Rentals
 *Rubber
 Services
 Standards
 *Timber
 Used Goods

* Controllers under Department of Reconstruction and Supply.

APPENDIX D

REGIONAL AND LOCAL OFFICES AND PRICES AND
SUPPLY REPRESENTATIVES

Charlottetown.....	E. M. Nicholson	London.....	W. H. McPhillips
Halifax.....	R. F. Johnson	Local Offices:	
Local Offices:		Brantford	Owen Sound
New Glasgow	Wolfville	*Chatham	Sarnia
Sydney	Yarmouth	Guelph	Windsor
Truro		Kitchener	*Woodstock
Saint John.....	Chas. C. Sullivan	North Bay.....	A. T. Smith
Local Offices:		Local Offices:	
Bathurst	Fredericton	Kirkland Lake	Sudbury
Edmundston	Moncton	Sault Ste. Marie	Timmins
Quebec City.....	J. M. Martin	Winnipeg.....	J. C. Ross
Local Offices:		Local Offices:	
Chandler	Roberval	Brandon	Fort William
Chicoutimi	St. Georges (Beauce)	Dauphin	Kenora
Rimouski	Thetford Mines	Flin Flon	*Portage la Prairie
Riviere du Loup			
Montreal.....	Alfred Savoie	Regina.....	A. R. Mackie
Local Offices:		Local Offices:	
Drummondville	Sherbrooke	Moose Jaw	*Swift Current
Granby	Three Rivers	North Battleford	Prince Albert
Rouyn	Valleyfield	Saskatoon	*Weyburn
St. Jerome		Yorkton	
Ottawa.....	W. G. Masson	Edmonton.....	W. S. Campbell
Local Offices:		Local Offices:	
Belleville	Hull	Calgary	Lethbridge
Brockville	Kingston		
Cornwall	Renfrew		
Toronto.....	F. L. J. Seldon	Vancouver.....	John Gibb
Local Offices:		Local Offices:	
Barrie	Oshawa	Kamloops	Prince Rupert
Hamilton	Parry Sound	Nanaimo	Vernon
Huntsville	Peterborough	Nelson	Victoria
Lindsay	St. Catharines		
Niagara Falls	Welland		
Orillia			

* Closing December 31, 1946.

APPENDIX E

ORDERS-IN-COUNCIL AFFECTING THE WARTIME PRICES AND TRADE BOARD

NOTE:—The following list of Orders-in-Council supplements Appendix E of the previous report which lists the principal Orders-in-Council under which the Wartime Prices and Trade Board functions.

P.C. 245, Jan. 23, 1945	Establishes a Steel Control under the Department of Reconstruction and Supply for the purpose of maintaining and controlling the supply of steel.
P.C. 1218, Mar. 29, 1946	Establishes the Canadian Commercial Corporation to assist in the development of trade between Canada and other nations during the transitional period; the President of the Commodity Prices Stabilization Corporation is one of the officers of this Corporation.
P.C. 1513, Apr. 16, 1946	Transfers the powers and duties of the Minister of Finance under the Central Mortgage and Housing Corporation Act to the Minister of Reconstruction and Supply.
P.C. 1609, Apr. 23, 1946	Vests in the Priorities Officer of the Department of Reconstruction and Supply, certain powers respecting construction materials.

- P.C. 1684, Apr. 30, 1946 Revokes P.C. 10674, Nov. 23, 1942, which established the Emergency Coal Production Board.
- P.C. 1811, May 7, 1946 Amends the Emergency Shelter Regulations, P.C. 9439, Dec. 19, 1944 to permit the Central Mortgage and Housing Corporation to lease and administer any real or personal Crown property made available to the Corporation for emergency shelter purposes.
- P.C. 2147, May 28, 1946 Revokes P.C. 11799, Dec. 31, 1942, as amended, under which was established a compensation fund for distributing equitably among newsprint producers the burdens arising out of the allocation of production.
- P.C. 3122, July 25, 1946 Consolidates Supplementary Regulations respecting the War-time Prices and Trade Board.
- P.C. 4359, Oct. 22, 1946 Provides for the continuance of the subsidy payments to wood fuel dealers which were authorized under P.C. 9540, Dec. 27, 1944.
- P.C. 5234, Dec. 23, 1946 Amends the Wartime Leasehold Regulations, P.C. 9029, Nov. 21, 1941 as amended, to delete certain powers and provisions no longer necessary.
- P.C. 60, Jan. 7, 1947 Amends the Wartime Prices and Trade Regulations, P.C. 8528, Nov. 1, 1941, as amended, to delete certain powers and provisions no longer necessary.
- P.C. 328, Jan. 28, 1947 Transfers the powers and functions of the Sugar Administration to a Crown Company to be known as the Canadian Sugar Stabilization Corporation.
- P.C. 389, Jan. 31, 1947 Amends the Emergency Shelter Regulations, P.C. 9439, Dec. 19, 1944. An Act of Parliament passed after Jan. 31, 1947 is excepted from the provision as to the prevalence of the regulations in the event of conflict of laws.
- P.C. 391, Jan. 31, 1947 Amends the Wartime Leasehold Regulations P.C. 9029, Nov. 21, 1941 as amended. An Act of Parliament passed after Jan. 31, 1947, is excepted from the provision as to the prevalence of the regulations in the event of conflict of laws.
- P.C. 392, Jan. 31, 1947 Amends the Wartime Prices and Trade Regulations P.C. 8528, Nov. 1, 1941 as amended). An Act of Parliament passed after Jan. 31, 1947 is excepted from the provision as to the prevalence of the regulations in the event of conflict of laws.
- P.C. 390, Jan. 31, 1947 Amends the Regulations established by P.C. 9475, Aug. 26, 1942 as amended, relating to Commodity Prices Stabilization Corporation, Ltd., to delete certain powers and provisions no longer necessary.

APPENDIX F

STATEMENTS OF ADMINISTRATIVE POLICY ISSUED BY THE WARTIME
PRICES AND TRADE BOARD

NOTE:—The following list supplements Appendix F of the previous report.

February 11, 1943	Statement of Import Policy Consolidation.
January 3, 1946 } January 3, 1946 }	Amendments to the Statement on Import Policy.
January 14, 1946	Statement of Policy on Import Subsidies—replacing the Statement of Import Policy, February 11, 1943.
February 1, 1946 } February 1, 1946 } February 7, 1946 } February 26, 1946 } March 1, 1946 } April 4, 1946 } April 17, 1946 } April 24, 1946 } April 29, 1946 } June 25, 1946 }	Amendments to the Statement of Policy on Import Subsidies.
July 6, 1946	Statement of Policy on Import Subsidies.
August 1, 1946 } October 8, 1946 } December 4, 1946 } December 5, 1946 }	Amendments to the Statement of Policy on Import Subsidies.
January 10, 1947	Statement of Policy on Import Subsidies.
January 17, 1947	Amendment to the Statement of Policy on Import Subsidies.
November 25, 1946	Statement of Policy on Subsidies on Imported Textiles.
November 15, 1945	Statement of Policy on Equitable Distribution.
January 1, 1946 } January 31, 1946 }	Amendments to Statement of Policy on Equitable Distribution.
June 1, 1946	Statement of Policy on Equitable Distribution.
August 14, 1946 } November 21, 1946 }	Amendments to the Statement of Policy on Equitable Distribution.
January 13, 1947	Statement of Policy on Equitable Distribution.

APPENDIX G

COMMODITY PRICES STABILIZATION CORPORATION LIMITED

SUMMARY OF OPERATIONS FROM DECEMBER 1, 1941 TO DECEMBER 31, 1946

The operations of the Commodity Prices Stabilization Corporation Limited, from inception to December 31, 1946, have resulted in a cost to the government of \$410,864,133.02, made up as follows:

1. SUBSIDIES PAID (See detail below).....	\$348,538,612.60
A. Import.....	\$183,692,970.54
B. Domestic.....	164,845,642.06
2. LOSSES ON COMMODITY TRADING (See detail below).....	57,703,880.69
3. ADMINISTRATIVE EXPENSES AND MISCELLANEOUS ITEMS.....	4,621,639.73
	<hr/>
	\$410,864,133.02

1. SUBSIDIES PAID

A. SUBSIDIES ON IMPORTED GOODS

NOTE:—Prior to January 21, 1946 it was the Board's practice to pay import subsidy on certain broadly defined classes of goods subject to a number of specific exclusions. Schedules of goods specifically declared ineligible for subsidy were issued from time to time. In view of the necessity for curtailing the payment of subsidy to the maximum extent consistent with the Government's stabilization policy, and due to the increasing length of the list of goods excluded from subsidy, the Board's approach was changed effective January 21, 1946. In a statement of policy on import subsidies it was announced that in future, subsidies would only be paid on items included in a list of goods specifically declared eligible for subsidy or eligible if, prior to entry for consumption at Customs, an arrangement respecting subsidy has been entered into with the Corporation.

Column three of the following list of import subsidies paid now indicates eligibility status as of January 20, 1947, as follows:

- I Items included in Schedule I of the Statement of Policy on Import Subsidies, i.e., goods eligible for subsidy subject only to the limitations set forth in the Statement.
- II Items included in Schedule II of the Statement of Policy on Import Subsidies, i.e., goods eligible for subsidy only in cases where prior to entry for consumption at Customs an arrangement respecting subsidy has been entered into with the Corporation.

Ineligible—Items not included in Schedules I and II of the Statement of Policy on Import Subsidies.

The description of imports subsidized appearing opposite each tariff item is partial and general only. Space does not permit the listing of each separate commodity subsidized under a particular tariff item and the heading indicates the general class only.

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
			\$ cts.
	GROUP 1, ANIMALS, AGRICULTURAL PRODUCTS, FISH AND PROVISIONS		
3	Bees.....	Ineligible.....	350,960 15
8	Canned meats, etc.....	Ineligible.....	1,342 61
11	Rennet.....	Ineligible.....	15,427 26
13	Lard & animal stearine, n.o.p.....	II (in part).....	3,459 65
14	Tallow.....	II (in part).....	693,338 74
15	Beeswax.....	Ineligible.....	26,722 80
20a	Cocoa butter.....	Ineligible.....	1,817 34
28a }	Tea.....	Ineligible.....	1,250,565 64
29a }			
30	Ginger and spices, unground.....	Ineligible.....	122,366 99
31	Ginger and spices, ground.....	Ineligible.....	2,500 33
32	Nutmegs and mace.....	Ineligible.....	15,427 39
39 (ii)	Starch, n.o.p.....	Ineligible.....	648 62
42	Salt, bulk.....	Ineligible.....	86,223 85
43a	Powdered milk.....	Ineligible.....	4,884 60
47	Beans, n.o.p.....	II (in part).....	1,143,772 04
55	Indian corn.....	II.....	2,445,385 48
62	Rice, uncleaned.....	Ineligible.....	1,548,479 55
63	Rice, cleaned.....	Ineligible.....	43,619 25
64	Sago and tapioca.....	Ineligible.....	641 83
68	Linseed, cottonseed and palm nut cake and meal.....	Ineligible.....	7,301 87
71b	Clover seed, etc.....	Ineligible.....	15,786 47
72a	Aromatic seeds, inedible in crude state.....	Ineligible.....	598 08
72c	Bent-grass seed.....	Ineligible.....	156 92
73	Field seeds, n.o.p.....	Ineligible.....	149,023 39
77a	Cocoa beans.....	Ineligible.....	698,359 54
77b	Vanilla beans, crude.....	Ineligible.....	8,327 09

Subsidies on Imported Goods—*con.*

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
	GROUP 1— <i>Continued</i>		\$ cts.
83a	Potatoes.....	Ineligible.....	424,723 25
99a	Prunes.....	II.....	871,201 40
99c	Raisins and dried currants.....	II.....	10,957 26
99e	Dates.....	Ineligible.....	650 91
99g	Apricots, peaches, etc., dried.....	Ineligible.....	43,127 37
101	Oranges.....	Ineligible.....	1,680,760 24
109a	Peanuts, green.....	II (in part).....	*\$73,686 34
113a	Copra.....	II (in part).....	857,676 35
133	Fish and fish products, n.o.p.....	Ineligible.....	48,781 90
	Items under \$100.....		159 96
	GROUP 2, SUGAR, MOLASSES AND MANUFACTURES THEREOF		\$ 12,301,489 78
136a } 140 } 137	Syrups and molasses, cane and beet.....	Ineligible.....	75,925 04
137	Molasses—edible, (transportation)..... (Sugar Administration)	II.....	1,020,980 31
137	Molasses—inedible..... (Chemical Administration)	II.....	9,129 96
	GROUP 3, TOBACCO AND MANUFACTURES THEREOF		\$ 1,106,035 31
	Nil		
	GROUP 4, SPIRITS, WINES AND OTHER BEVERAGES		
152	Fruit syrups and juices, n.o.p.....	Ineligible.....	425,651 02
	GROUP 5, PULP, PAPER AND BOOKS		
192	Paper and board products.....	Ineligible.....	42,443 95
197	Paper, n.o.p.....	Ineligible.....	984 36
199	Manufactures of paper, n.o.p.....	Ineligible.....	118,737 07
199d	Paper, cigarette.....	Ineligible.....	355,846 02
	GROUP 6, CHEMICALS, DRUGS, OILS AND PAINTS		\$ 518,011 40
203 } 203a } 203b }	Non-edible tanning, dyeing, etc. materials....	Ineligible.....	63,108 07
204	Drugs, non-edible, crude.....	Ineligible.....	66,346 33
206	Quinine, etc.....	Ineligible.....	399 11
208	Chemicals, miscellaneous.....	Ineligible.....	11,104 11
208c } 208m } 209b } 209e }	Pesticide chemicals.....	Ineligible.....	66,645 74
208o	Tartaric acid.....	Ineligible.....	39,637 47
208t	Chemicals and drugs.....	Ineligible.....	82,540 79
209 } 209a } 210e }	Fertilizer chemicals.....	Ineligible.....	80,884 38
210	Peroxide of soda, etc.....	Ineligible.....	302 00
216	Acids, n.o.p.....	Ineligible.....	5,168 91
219a	Disinfecting, spraying, etc., preparations.....	Ineligible.....	12,492 26
219d	Anaesthetics, n.o.p.....	Ineligible.....	9,373 03
220 } 220a } 220c }	Medicinal, chemical and pharmaceutical preparations.....	Ineligible.....	975 94
225	Wax, vegetable and mineral, n.o.p.....	Ineligible.....	14,586 49
232c	Gelatine, edible.....	Ineligible.....	46,571 30
236	Surgical dressings, etc.....	Ineligible.....	698 29

*Under the arrangement for subsidizing peanuts, when imports are made at costs lower than the basic cost for subsidy purposes, the difference is remitted to CPSC, as an offset against subsidies and trading losses on less advantageous purchases. Such remittances have exceeded subsidies paid against this tariff item by the amount indicated.

Subsidies on Imported Goods—*con.*

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
			\$ cts.
	GROUP 6— <i>Continued</i>		
238a } 238b } 238d } 238g }	Synthetic plastics	Ineligible	2,726 83
242	Dry red lead, etc.	Ineligible	3,353 69
247	Paints and filler, n.o.p.	Ineligible	113 49
247a	Artists and school children's colours, etc.	Ineligible	10,619 22
254 } 254a }	Gums	Ineligible	2,095 30
259b	Rapeseed oil	II (in part)	26,950 09
261	Spirits of turpentine	Ineligible	24,633 88
264	Essential oils, n.o.p.	Ineligible	17,505 22
265	Whale oil	II (in part)	354,166 17
265a	Fish oils, n.o.p.	II (in part)	11,508 59
Section 8	Seal oil	II (in part)	21,420 01
273	Petroleum asphalt	Ineligible	3,678 53
274	Petroleum coke	I	392 93
276a } 276b }	Cottonseed oil 276 } 276b }	II (in part)	796,336 46
277	Palm and palm kernel oil	II (in part)	48,479 86
278	Oil, coconut and palm for soap manufacture, etc.	II (in part)	*13,186 40
278a	Oil, peanut and soya for soap manufacture	II (in part)	318,361 08
278b	Peanut oil for refining	II (in part)	143,092 25
278c	Coconut oil for refining	II (in part)	12,672 74
280	Foots; grease for manufacture of soaps and oils	II (in part)	8,679 60
	Petroleum and products—	Ineligible	
	Ocean tanker, Eastern Canada		31,849,358 75
	Ocean tanker, British Columbia		3,261,194 01
	Prairie		11,807,929 51
	Lake tanker ex Toledo		120,838 05
	Ontario via Toledo		5,232,619 79
	Items under \$100		177 96
	GROUP 7, EARTHS, EARTHENWARE AND STONEWARE		\$ 54,566,551 83
287	Tableware	Ineligible	298,857 82
288	Stone and earthenware	Ineligible	4,965 97
289	Sanitary ware, n.o.p.	Ineligible	98,787 70
311	Slate pencils and school writing slates	Ineligible	582 21
311a	Blackboards, solid, slate or paper	Ineligible	972 25
326(i) } 326(ii) }			
326a } 326e }	Glassware	Ineligible	16,892 85
326g } 326h }			
	Items under \$100		8 70
	GROUP 8, METALS AND MANUFACTURES THEREOF		\$ 421,067 50
349	Brass, not polished	Ineligible	127 75
352	Manufactures of brass or copper	Ineligible	766 56
362c	Nickel plated, etc. ware, n.o.p.	Ineligible	1,927 95
366b	Parts of watch movements	Ineligible	12,441 93
383(c)	Iron or steel sheets, bands, etc., zinc-coated	Ineligible	126 00
401d } 402c }	Wire and wire fencing	Ineligible	14,286 95
407 } 409 }	Silent or roller chain	Ineligible	289 28
409b } 409c }			
409d } 409e }	Agricultural implements	Ineligible	24,688 58
409f } 409g }			
409i } 409m }			
409o }			

*Under the plan of assistance to the soap and shortening industry, manufacturers purchasing materials at prices less than those set by the Administrator remit the difference to C.P.S.C. to be offset against subsidies paid on other materials. Such remittances on the oils in question have exceeded subsidies paid under this particular tariff item by the amount indicated.

Subsidies on Imported Goods—*con.*

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
			\$ cts.
	GROUP 8— <i>Continued</i>		
427 } 427a } 427b }	Machinery, wholly or in part of iron or steel, n.o.p.	Ineligible	175 52
429 } 430 } 430a } 430b }	Cutlery	Ineligible	8,843 09
	Nuts and bolts, hinges, screws, etc., iron or steel	Ineligible	685 12
431 } 431b } 431e }	Tools	Ineligible	6,876 52
432 } 432b } 432d }	Hollow ware	Ineligible	5,202 36
438b } 438c } 438e }	Parts and accessories for motor vehicles	Ineligible	2,376 53
439 } 440 } 440g }	Bicycles	Ineligible	2,149 79
	Anchors for vessels	Ineligible	1,963 03
	Manufactures of metal for equipment of vessels	Ineligible	387 61
442 }	Agricultural implements, articles entering into manufacturing cost	Ineligible	47,436 41
443 }	Apparatus for heating and cooking	Ineligible	3,471 04
444a }	Lighting fixtures	Ineligible	250 30
445a }	Flashlights and bicycle lamps	Ineligible	419 53
445e }	Batteries and parts	Ineligible	3,041 72
445k }	Electric apparatus and parts, n.o.p.	Ineligible	1,867 28
446a }	Manufactures of iron or steel, n.o.p.	Ineligible	16,853 25
451 }	Fasteners, metal	Ineligible	3,146 80
451b }	Pins, metal	Ineligible	2,416 44
451b(ii) }			
462 }	Instruments—mathematical, optical, etc.	Ineligible	370 89
462(i) }			
476 }	Surgical and dental instruments	Ineligible	7,342 41
	Items under \$100		533 74
	GROUP 9, WOOD AND MANUFACTURES THEREOF		\$ 170,464 38
493 } 494 } 494b }	Corkwood and products	Ineligible	12,787 15
497 } 752 }	Cane, reed or rattan	Ineligible	14,754 66
502 }	Wooden products, miscellaneous shapes, etc.	Ineligible	5,932 52
504 }	Partly dressed lumber	Ineligible	17,066 87
506 }	Manufactures of wood, n.o.p.	Ineligible	1,111 63
506a }			
507a }	Veneers of wood, n.o.p.	Ineligible	3,492 36
	GROUP 10, COTTON, FLAX, HEMP, JUTE AND OTHER FIBRES AND SILK, WOOL AND MANUFACTURES THEREOF		\$ 55,145 19
520 }	Raw cotton and cotton linters	II (in part)	36,179,457 63
520a }	Waste and rags, cotton	520a Ineligible } 520b II (in part) }	120,984 21
520b }			
522' }		522' }	
522a }		522a } I (in part) }	
522b }		522b }	
522c }		522c }	
522d }	Rovings, yarns, warps, (cotton)	522d Ineligible } 522e I }	544,868 17
522e }		522e }	
522f }		522f Ineligible }	
523 }		523 }	
523a }		523a }	
523b }		523b }	
523c }	Woven fabrics (cotton)	523c } I (in part) }	17,906,868 99
523e }		523e }	
523j }		523j }	
523k }		523k }	

Subsidies on Imported Goods—*con.*

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
			\$ cts.
	GROUP 10—Continued		
524a	Cotton etc., fabrics with cut wett pile.....	I (in part).....	45,827 41
525	Woven fabrics (cotton) for rubber sheeting manufacture.....	Ineligible.....	337 40
529 }	Lace and embroideries, cotton.....	Ineligible.....	4,499 80
530 }			
532	Manufactures of cotton, n.o.p.....	I (in part).....	1,573,080 15
532a	Handkerchiefs (cotton).....	I (in part).....	62,639 20
535 }	Vegetable fibres.....	II (in part).....	10,832,736 48
535a }			
535b }			
535c }	Waste and rags, n.o.p.....	Ineligible.....	23,209 21
535f }			
535e }	Vegetable fibres for brush manufacture.....	Ineligible.....	914 11
536	Batts and wadding, n.o.p.....	Ineligible.....	6,132 77
537a	Rovings, yarns, warps, (vegetable fibre).....	Ineligible.....	26,551 32
537b	Linen thread for machine and hand sewing.....	Ineligible.....	1,371 35
537c	Rovings, yarns and warps (vegetable fibre for specified uses).....	Ineligible.....	18,500 79
537d }	Rovings, yarns and warps (jute).....	Ineligible.....	481,484 39
537e }			
538a	Bindertwine, articles entering into manufacturing cost.....	Ineligible.....	69,437 64
540(a) }			
540(b) }	Woven fabrics and articles of flax or hemp....	I (in part).....	986,348 98
540(c) }			
540(d) }			
541 }	Woven fabrics (jute).....	Ineligible.....	2,490 99
541b }			
542 }	Woven fabrics (vegetable fibre).....	542 I (in part).....	3,707 24
542a }		542a Ineligible.....	
543	Sail twine and canvas.....	Ineligible.....	383 34
548	Textile manufactures, n.o.p.....	I (in part).....	20,322 92
549	Wool, hair of camel, goat or like animal.....	Ineligible.....	4,576,443 01
549a	Hair.....	Ineligible.....	8,183 57
549c	Hairecloth.....	Ineligible.....	2,619 78
550a }			
550b }	Waste and rags, wool or hair.....	Ineligible.....	23,203 96
550c }			
551	Yarns of wool or hair, n.o.p.....	Ineligible.....	7,908 33
551a	Yarns and warps of wool or hair for manufacture.....	Ineligible.....	142,291 47
551b	Mohair or alpaca yarns for upholstery manufacture.....	Ineligible.....	5,405 98
551c	Yarns and warps of hair or hair and fibre....	Ineligible.....	24,061 52
551d	Yarns and warps, worsted.....	Ineligible.....	17,907 37
553	Blankets (excluding rugs).....	I (in part).....	227,148 72
554 }		554 Ineligible.....	
554a }	Woven fabrics wholly or in part of wool.....	554a Ineligible.....	734,323 86
554b }		554b I (in part).....	
554c }		554c Ineligible.....	
555	Manufactures of wool, n.o.p.....	Ineligible.....	400 52
557 }	Artificial silk, etc.....	557 Ineligible.....	726,457 04
557b }		557b II (in part).....	
558b }		558b II.....	
558d }	Rovings, yarns and warps of artificial silk, etc.	558d II (in part).....	*30,479 08
558d(a) }		558d(a).....	
558d(b) }		558d(b).....	
560c }		560c Ineligible.....	
561 }	Woven fabrics, artificial silk.....	561 I & II (in part).....	842,684 11
561a }		561a Ineligible.....	
562a }		562a Ineligible.....	
563	Bolting cloth.....	Ineligible.....	329 66
565	Braids, nets, etc.....	Ineligible.....	112,777 32

*Recoveries of subsidies and trading losses on all exports of artificial silk goods, whether in the form of yarns, fabrics or manufactured goods, are for administrative convenience, credited to this group of tariff items, since the tariff item against which the subsidy was originally paid can not be identified. Recoveries have exceeded subsidies paid on rovings, yarns and warps by the amount indicated, but for a complete picture the trading loss on bulk purchased yarns and the subsidies on artificial silk fabrics should also be taken into consideration.

Subsidies on Imported Goods—*con.*

Tariff Item	Partial Description of Imports Subsidized	Eligibility Status as of Jan. 20, 1947	Subsidy Paid Dec. 1, 1941 to Dec. 31, 1946
GROUP 10— <i>Continued</i>			\$ cts.
567a	Manufacturers of artificial silk.....	Ineligible.....	3,637 08
568	Knitted garments and goods, n.o.p.....	II (in part).....	669,937 67
568a	Socks and stockings.....	Ineligible.....	1,606 30
568b	Gloves and mitts, n.o.p.....	Ineligible.....	32,211 68
569 (i)	Hats, hoods and shapes of felt or wool, etc. . .	Ineligible.....	123,513 56
569 (ii)			
569 (iii)			
569a (ii)			
571a	Cocoa mats or matting.....	Ineligible.....	46,684 25
572	Carpets and rugs, n.o.p.....	Ineligible.....	3,011 21
573	Linoleum, oilcloth, etc.....	Ineligible.....	4,191 49
574a	Elastic webbing and braid.....	Ineligible.....	615 47
574b	Elastic webbing for manufacture.....	Ineligible.....	1,082 76
	Items under \$100.....		104 41
GROUP 11, MISCELLANEOUS			\$ 77,220,417 51
584	Crude bone pitch and resin or rosin.....	Ineligible.....	4,207 74
585	Pitch and tar.....	Ineligible.....	1,570 30
586	Coal, U.K. Anthracite.....	I.....	3,139,380 42
586	Coal, U.S. Anthracite, consumer.....	I.....	13,531,311 57
587	Coke, consumer.....	I.....	1,287,426 53
587a }		I.....	
588	Coal, U.S., n.o.p. consumer.....	I.....	9,089,442 68
599	Raw hides and skins.....	II (in part).....	659,773 64
604	Leather further finished than tanned, n.o.p.....	Ineligible.....	55,481 71
605	East India kip leather for linings.....	Ineligible.....	643 35
605a	Pig leather.....	Ineligible.....	153 26
607	Leather for manufacture.....	607 II (in part).....	6,148 08
607(2) }		607(2) Ineligible.....	
608b }		608b II.....	
611a	Boots and shoes, n.o.p.....	Ineligible.....	132 13
612	Harness and saddlery.....	Ineligible.....	1,123 14
616(ii)	Scrap rubber.....	Ineligible.....	2,978 48
618	Manufactures of rubber, n.o.p.....	Ineligible.....	991 37
618b	Rubber tires.....	Ineligible.....	149 40
623	Cases, portfolios, etc.....	Ineligible.....	177 93
642	Hatters' fur.....	Ineligible.....	208,843 10
652	Dressing combs, n.o.p.....	Ineligible.....	125 72
654	Broom corn and bristles.....	Ineligible.....	1,656,189 97
655a }	Lead pencils, crayons, chalk, etc.....	Ineligible.....	3,305 56
655b }			
657	Parts of pipes for manufacture.....	Ineligible.....	211 42
662 }	Fertilizers and articles entering into man-	Ineligible.....	2,566,944 81
663b }	ufacturing cost.....		
663c }	Soya bean meal, etc.....		
674	Ivory nuts, etc.....	II (in part).....	1,641,524 79
682 }		Ineligible.....	551 88
682a }	Fishermen's gear, non sporting.....	Ineligible.....	718,741 19
682b }			
682c }			
697	Globes, geographical.....	Ineligible.....	211 07
698	Articles specially designed for the use of the blind.....	Ineligible.....	1,351 01
711	Items, n.o.p.....	II (in part).....	1,535,051 77
732	Eucalyptus oil.....	Ineligible.....	586 05
791	Pesticides, articles entering into manufacturing cost.....	Ineligible.....	10,720 27
793	Yarns and warps, cotton, for manufacture of woven fabrics.....	I (in part).....	719 00
794	Waste fabrics for further manufacture.....	Ineligible.....	11,804 88
797	Yarns cotton, for manufacture of cotton thread.....	I.....	193,825 45
817	Unbleached beeswax for manufacture.....	Ineligible.....	4,172 20
818	Woven cotton fabrics for handkerchiefs.....	I.....	2,193 63
837	Alfalfa meal.....	Ineligible.....	11,176 37
839	Sunflower seed oil for manufacture.....	II (in part).....	631,896 67
	Items under \$100.....		53 98
Total all groups.....			\$ 36,981,292 52
Unallocated recoveries.....			\$183,766,126 44
TOTAL IMPORT SUBSIDIES.....			*73,155 90
			\$183,692,970 54

*This figure represents recoveries of subsidy under limitation of subsidy agreements and on sales for exports or for ships' stores or to certain other government departments, etc., in cases where the tariff item against which the subsidy was originally paid cannot readily be identified.

B. SUBSIDIES ON DOMESTIC GOODS

NOTE:—Many domestic subsidies listed below have been cancelled or are now inoperative, having been applicable only to specific transactions now completed. Column two indicates the date after which operations ceased to be eligible for subsidy. In cases where there was no specific cut off date, but where the subsidizable operation has been completed, the phrase "no longer operative" has been used. The information in column two covers all cancellations up to January 20, 1947.

Description of goods subsidized		Subsidy paid Dec. 1, 1941 to Dec. 31, 1946
Artificial Silk—		
Yarns		
Viscose for filler.....	June 30, 1945.....	\$ 2,989 35
Viscose, Special arrangement.....	December 31, 1945.....	161,837 63
Acetate, Special arrangement.....	No longer operative.....	8,046 69
Bindertwine, Rope and Materials—		
Manila Fibre.....	No longer operative.....	3,628 63
Butter—		
Butterfat.....	April 30, 1943.....	12,194,050 09
Inventories.....	No longer operative.....	582,913 06
Transportation.....		127,743 87
Canned Fruits and Vegetables—		
1941 pack.....	No longer operative.....	265,856 71
1942 pack.....	" " ".....	1,757,042 00
1943 pack.....	" " ".....	1,125,691 14
1944 pack.....	" " ".....	1,187,273 02
1945 pack.....	" " ".....	1,308,139 77
Storage.....	" " ".....	383,373 49
Chicken Brooders, Electric.....	June 30, 1944.....	100 00
Coal		
Bituminous for coking.....	March 31, 1946.....	68,632 36
Cost-of-living bonus.....	February 15, 1944.....	3,223,992 53
Emergency diversion.....		299,705 45
Brazeau briquettes.....		28,496 88
Emergency production.....		1,061,107 02
Transportation to B.C.....	November 30, 1946.....	68,588 96
Transportation to Hamco.....	March 31, 1946.....	34,539 36
Transportation, Maritimes.....		44,148 12
Pre-ECPB assistance.....	March 31, 1942.....	378,554 68
Wagon Mines, transportation.....	January 21, 1944.....	1,084 43
Coke:		
Transportation, Nova Scotia.....		6,426 49
Algoma.....		3,291,264 11
Cork for Milk Cooling Tanks.....	April 29, 1945.....	993 60
Corn—		
Cornmeal, special arrangement.....	No longer operative.....	266 78
Diversion.....	September 26, 1945.....	303,283 97
For processing.....	" " ".....	679,969 60
Cotton—		
Yarns, special arrangement.....		6,013 91
Manufactures:		
Underwear, fleece-lined.....	March 31, 1946.....	74,335 86
Eggs, frozen.....	March 31, 1945.....	281,075 89
Feeds—		
Fishmeal.....		14,821 20
Fertilizers—		
Eastern Canada.....	May 31, 1946.....	482,202 70
Fish, canned		
Salmon, 1944 pack.....	No longer operative.....	247,358 05
1945 pack.....	" " ".....	243,531 40
Fish Hooks.....		1,352 94
Foods—		
Transportation, miscellaneous.....		35,445 04
Footwear—		
Subsidy to July 15, 1943.....	July 15, 1943.....	4,147,038 13

Subsidies on Domestic Goods—*con.*

Description of goods subsidized		Subsidy paid Dec. 1, 1941 to Dec. 31, 1946
Fruits, fresh—		
Strawberries, B.C. 1942.....	No longer operative.....	\$ 73,600 70
Peaches, Ontario, 1942.....	" " ".....	66,596 82
Tree fruits, 1943.....	" " ".....	651,013 41
Tree fruits, 1944.....	" " ".....	1,020,485 16
Tree fruits, 1945.....	" " ".....	822,868 90
Fruits, processed—		
Strawberries, B.C. 1943.....	June 30, 1944.....	7,589 40
Strawberries, B.C. 1944.....	June 30, 1945.....	1,734 38
Furniture.....	March 31, 1945.....	191,087 53
Glucose, etc., special arrangement.....	November 1, 1946.....	130,574 67
Groceries—		
Order 116:		
Standard.....	August 31, 1945.....	3,779,607 47
Cereal products.....	August 31, 1945.....	68,860 31
Pork and beans.....	April 30, 1946.....	37,743 59
Transportation.....		8,679 97
Iron, pig, special arrangement.....	March 19, 1946.....	44,529 59
Iron and steel		
Special arrangements.....		3,649,536 31
Steel, scrap.....		221,904 27
Jam and Jelly.....	February 28, 1946.....	1,894,652 22
Leather—		
Footwear, sole and upper.....	August 31, 1945.....	*\$49,144 24
Glove and garment (including Shearlings).....	January 31, 1946.....	2,591,351 21
Harness.....	No longer operative.....	2,151 98
Lime.....	July 31, 1946.....	38,082 57
Lumber—		
Pitprops and mine ties.....	February 2, 1944.....	26,377 06
Pitwood, U.K.....	No longer operative.....	279,759 92
Consumer, softwood.....	July 14, 1945.....	2,449,180 81
Producer, B.C. Coastal (including lath).....	October 27, 1943.....	376,201 12
Producer, B.C. Coastal, shingles.....	August 15, 1942.....	111,913 46
Retail Prairie.....	August 15, 1943.....	622,042 04
Sawmill, B.C. Coastal, Logs.....	June 30, 1945.....	261,662 93
Snow fencing.....	November 10, 1945.....	21,781 40
Maple Products.....		32,188 39
Meat—		
Beef, canned, fresh.....	June 30, 1945.....	42,773 10
Beef, transportation.....	March 17, 1944.....	358,359 37
Beef and products, special arrangement.....	June 30, 1945.....	54,167 02
Bologna and weiners.....	November 30, 1943.....	25,393 35
Pork Sausage, special arrangement.....	March 31, 1946.....	7,268 48
Milk—		
Primary producers, 1941-42.....	April 30, 1942.....	2,830,719 46
Primary producers, 1942-43.....	April 30, 1943.....	3,001,984 40
Consumer.....	May 31, 1946.....	70,662,490 00
Oils and Fats—		
Bones and fats, transportation.....	December 31, 1945.....	354 61
Linseed oil, transportation.....	No longer operative.....	19,487 07
Soap and shortening materials.....		7,402,806 81
Soya beans.....		151,502 60
Paper Products—		
Scribblers and counter cheques.....	February 28, 1945.....	32,102 71
Waste paper, transportation.....	December 31, 1944.....	13,563 10
Pulp for wall and paper board.....		127,417 13

*Refunds by tanners and manufacturers under limitation of subsidy undertakings have exceeded payments by C.P.S.C., but this credit balance may be regarded as offsetting, in part, the heavy import subsidy expenditures on hides and skins for sole and upper leather. (Tariff Item 599.)

Subsidies on Domestic Goods—*conc.*

Description of goods subsidized		Subsidy paid Dec. 1, 1941 to Dec. 31, 1946
Rubber—		
Neoprene and Neoprene Latex.....		\$ 51,646 71
Scrap tires.....	No longer operative.....	15,021 90
Synthetic and crude.....	September 30, 1946.....	7,663,315 18
Rye Grain.....		338,712 00
Soil Pipe—		
Cast Iron, special arrangement.....	March 19, 1946.....	3,564 58
Tanning Materials—		
Hemlock Bark.....	October 31, 1945.....	184 61
Tea and coffee inventories, Dec. 7/42.....	No longer operative.....	3,055,411 09
Tin—		
United Kingdom.....	October 31, 1945.....	455,594 55
Vegetables—		
Beans, white and yellow eye, 1943.....	August 15, 1944.....	367,003 13
Beans, white and yellow eye, 1944.....	July 31, 1945.....	316,711 17
Potatoes:		
New.....	August 31, 1943.....	715,810 70
Transportation 1943 crop.....	February 20, 1944.....	6,645 54
Transportation, old.....	No longer operative.....	17,549 51
Woodenware—		
Basket bottom lumber.....	October 31, 1945.....	169 54
Boxes and shooks, Zone 3.....	December 31, 1944.....	4,092 78
Boxes, shooks and baskets, Zone 5.....	December 31, 1944.....	326,025 01
Fruit box lumber, Zone 5.....	December 31, 1945.....	39,905 31
Butter boxes.....	April 30, 1946.....	331,793 68
Cheese box materials, 1946.....	No longer operative.....	6,158 76
Cheese boxes, 1943, 1944.....	December 31, 1945.....	19,659 24
Egg boxes and shooks.....	December 31, 1945.....	105,393 31
Fruit and vegetable containers.....	October 31, 1945.....	947,477 70
Apple barrels and parts.....	December 31, 1945.....	338,145 00
Powdered milk barrels and nail kegs.....	July 31, 1945.....	38,853 93
Oars.....	July 31, 1945.....	8,046 20
Special arrangements.....	July 20, 1946.....	2,073,289 96
Wood fuel—		
Cordwood \$1.00.....	December 31, 1944.....	2,097,227 97
Transportation.....	December 31, 1944.....	1,493,130 28
Combination Regional.....		5,515,803 56
Vancouver.....	October 11, 1943.....	4,412 57
Charcoal, etc., special arrangements.....	July 31, 1945.....	97,924 39
Wool—		
Raw:		
For Underwear, special arrangement.....	August 1, 1943.....	10,010 20
Yarns and fabrics, worsted.....	March 31, 1946.....	347,034 53
Yeast, special arrangement.....	April 30, 1945.....	36,000 00
Total Domestic Subsidies.....		\$164,845,642 06
Total Import and Domestic Subsidies.....		\$348,538,612 60

2. LOSSES ON COMMODITY TRADING

NOTE:—The asterisk indicates that the particular bulk purchasing program has either been discontinued or will be discontinued following completion of outstanding contracts and disposal of inventories.

	Dec. 1, 1941 to Dec. 31, 1946
*Alcohol, Industrial	\$ 2,611,606 79
Antimony	84,694 09
Artificial Silk Yarns	1,100,466 90
*Beeswax	34,621 68
Bindertwine, Rope and Materials	680,816 97
*Bristles and Horsehair	497,829 64
*Broom Corn	24,221 60
*Citrus Juices	1,279,359 31
Cocoa Beans	1,511,137 44
*Coffee	6,540,236 15
Cotton Yarns and Fabrics	8,028,568 59
Dairy Products	59,684 91
*Feeds	25,479 71
*Fertilizers	360,180 58
*Fish Hooks	1,087 92
Fruits, Dried	12,893,653 90
*Jute	344,376 20
Oils and Fats	12,919,213 51
*Pesticides	49,277 30
Rubber	36,972 58
*Spices	609,833 34
*Surplus Stocks—Clothing and Cotton Fabrics	487,558 43
*Tea	1,074,717 43
Tin	543,739 15
*Vegetables—Potatoes	3,950 36
Woodenware	165,184 12
*Wood Fuel	6,497 55
*Wool	5,692,547 72
	\$57,667,513 87
War Risk Insurance	36,366 82
Total	\$57,703,880 69

N.B.—THESE FIGURES ARE CUMULATIVE COVERING ALL SUBSIDIES PAID AND TRADING LOSSES INCURRED FROM INCEPTION DECEMBER 1, 1941 TO DECEMBER 31, 1946. SUBSIDIES PAID DURING THE CALENDAR YEAR COVERED BY THE REPORT AMOUNTED IN ROUND FIGURES TO \$45,000,000 FOR IMPORTS AND \$25,000,000 FOR DOMESTIC PRODUCTS WHILE TRADING LOSSES INCURRED AMOUNTED TO \$17,000,000 MAKING A GRAND TOTAL OF APPROXIMATELY \$87,000,000.

APPENDIX H

SUMMARY OF OPERATIONS OF OTHER ASSOCIATED COMPANIES OF THE BOARD FROM DECEMBER 1, 1941 TO DECEMBER 31, 1946, AS SHOWN BY THE FINANCIAL STATEMENT OF EACH COMPANY

WARTIME FOOD CORPORATION LIMITED—

		Net Deficit
Subsidies Paid—Import (Oranges & Potatoes)	\$4,462,258 25	
Domestic	117,146 88	
	4,579,405 13	
Commodity Trading Losses—Cattle	832,281 69	
Other	41,796 12	
Administrative Expenses	210,994 01	
		\$5,664,476 95

CANADIAN WOOL BOARD LIMITED. (a)

1,584,509 03

WARTIME SALVAGE LIMITED (b)

434,579 01

(a) Charter surrendered and operations terminated as at December 31, 1946.

(b) Charter surrendered and operations terminated as at December 31, 1944.

APPENDIX I

ESTIMATED AND ACTUAL EXPENDITURES OF THE WARTIME PRICES
AND TRADE BOARD

	Estimates April 1, 1945 to March 31, 1946	Expenditures April 1, 1945 to March 31, 1946	Estimates April 1, 1946 to March 31, 1947	Expenditures (Nine Months) April 1, 1946 to Dec. 31, 1946
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Salaries.....	9,610,000 00	9,451,795 45	9,000,000 00	6,663,888 17
Travelling Expenses.....	1,000,000 00	1,013,018 60	850,000 00	758,005 87
Printing and Stationery.....	1,150,000 00	945,820 45	740,000 00	358,819 55
Telephones and Telegrams.....	320,000 00	293,295 15	250,000 00	164,949 62
Advertising.....	1,750,000 00	1,170,158 75	600,000 00	205,660 27
Sundries (including local ration board and ration coupon banking costs).....	2,270,000 00	1,878,861 84	1,810,000 00	1,230,407 88
Total.....	16,100,000 00	14,752,950 24	13,250,000 00	9,381,731 36

APPENDIX J

CHANGES IN CUSTOMS VALUATION, DUTIES AND TAXES

P.C. 62/450, Jan. 20, 1942.—Import and excise duties and taxes imposed in any country are to be disregarded in estimating the value for duty of goods imported into Canada.

P.C. 9889, Dec. 19, 1941.—On recommendation of the Wartime Prices and Trade Board with the concurrence of the Minister of Finance, the Minister of National Revenue may accept export selling prices as the basis for valuation for duty purposes.

Under the authority of this Order in Council selling price (actual invoice value) is accepted as the basis for valuation for duty purposes instead of "fair market value as sold for home consumption" in respect of the items listed below.

J-1—Valuation for Customs Purposes Modified

Commodities	Effective date
Automobiles, passenger.....	Mar. 19, 1942
Barrels, wooden, used or second-hand.....	Jan. 2, 1942
Bristles dutiable under Tariff Item 654.....	Apr. 1, 1942
Broom corn.....	June 1, 1943
Chinese menthol.....	Jan. 8, 1942
Condensing units for commercial refrigerators and parts and articles for the manu- facture of such units (including electrical parts).....	Sept. 1, 1944
Cotton, raw.....	Dec. 19, 1941
Dried fruits—	
Dried prunes and plums.....	Dec. 19, 1941
Evaporated or dried apricots.....	Feb. 16, 1942
Raisins and currants.....	Apr. 15, 1942
Dried fruits of all kinds.....	Nov. 2, 1942
Essential oils, whether containing non-alcoholic materials or not, specified in Tariff Item 264.....	Jan. 2, 1942
Ether, sulphuric, and preparations of vinyl ether for anaesthetic purposes.....	Feb. 16, 1942
Feeds, animal or poultry (ex Tariff Item 45).....	Apr. 1 to June 30, 1942, incl.
Galatest.....	Sept. 1, 1942
Hollow-ware, of iron or steel, coated with vitreous enamel, dutiable under Tariff Item 432b.....	July 2, 1942

J-1—Valuation for Customs Purposes Modified—*conc.*

Commodities	Effective date
Metal caps for bottles or jars.....	July 2, 1942
Orange juice, canned.....	May 15, 1946
Parts and articles for the manufacture of electric stoves or ranges.....	Sept. 1, 1944
Rice, cleaned or uncleaned, or paddy.....	Dec. 19, 1941
Soya beans, soya bean oil cake, and soya bean oil meal, dutiable under Tariff Item 663c.....	Feb. 2, 1942
Tools, hand of all kinds.....	July 2, 1942
Vegetable oils as specified in Tariff Items 208t, 259a, 259b, 262, 266, 276, 276a, 276b, 277, 277a, 278, 278a, 278b, 278c, 278d, 278e, 280, 711, 824, 831, 838 and 839.....	May 1, 1942
Waxes, vegetable and mineral as specified in Tariff Item 225.....	Dec. 19, 1941
Xanthates— Pentamol amyl xanthate and sodium ethyl xanthate.....	Dec. 19, 1941
Xanthates for use in the process of concentrating ores, metals or minerals (ex Tariff Item 208u).....	Apr. 1, 1943

J-2—Duties and Taxes Modified or Remitted

P.C. 9888, December 19, 1941.—Special or dumping duties suspended for the time being except in respect of importations of fresh fruits and vegetables.

P.C. No.	Date Passed	Date Effective	Commodity	Effect
394	20/1/42	1/1/42 to 30/4/42	Anthracite coal.....	Removal of customs duty and war exchange tax on imports into the Maritime Provinces from Intermediate and General Tariff countries.
3472	28/4/42	30/4/42	Anthracite coal.....	Extension of P.C. 394 until further notice.
350	14/1/43	9/1/43	Anthracite coal.....	Removal of war exchange tax on imports from Intermediate Tariff countries.
1737	9/3/42	9/3/42 to 31/12/42	Bituminous coal, when converted into coke to be sold	Reduced usage requirements of Canadian coal from 35 p.c. to 25 p.c. to entitle importer to a drawback of 99 p.c. of the customs duty paid on imported coal.
6220	20/7/42	1/4/42	Bituminous coal when converted into coke to be sold	Rescinded P.C. 1737, eliminating the 25 p.c. provision and substituting approval of administrator.
4488	28/5/42	1/5/42 to 14/9/42	Coke.....	Removal of customs duty and war exchange tax on imports from Intermediate and General Tariff countries.
8042	9/9/42	15/9/42	Coke for use in cooking and heating.	Removal of war exchange tax and customs duty.
10824	1/12/42	15/11/42 to 31/3/43	Coal briquettes.....	Removal of war exchange tax and customs duty on imports from Intermediate and General Tariff countries when imported into the customs port at Port Arthur or any port west thereof to the Saskatchewan-Alberta boundary.
1517	1/3/43	1/4/43	Coal briquettes.....	Extension of P.C. 10824.
3979	5/6/45	1/6/45	Coal and coke of all kinds....	Removal of war exchange tax.
3739	5/5/42	2/1/42	Soda Ash.....	Removal of customs duty on imports from British Preferential Tariff countries.
4191	19/5/42	2/1/42	Crude Rubber.....	Removal of war exchange tax, customs duty and special excise tax.
5648	30/6/42	2/1/42	Cement clinker.....	Removal of war exchange tax.
1620	2/3/42	15/1/42 to 30/6/42	Alfalfa meal (dehydrated)....	Removal of war exchange tax and customs duty.
4525	29/5/42	2/2/42	Hatters' fur.....	Removal of war exchange tax.
2233 ^a	20/3/42	Imported on and after 15/8/41, entered for consumption on and after 2/3/42 to 27/6/46	Tea.....	Removal of the additional duty of 5 cts., 7½ cts. and 10 cts. per lb.

J-2—Duties and Taxes Modified or Remitted—*con.*

P.C. No.	Date Passed	Date Effective	Commodity	Effect
1663	5/3/42	5/3/42	Woven fabrics not made in Canada of artificial silk imported by manufacturers of ties, etc., for their own use.	Duty reduced by application of a lower tariff item.
4489 ^b	28/5/42	1/4/42 to 30/11/46	Copra.....	Removal of war exchange tax, customs duty and special excise tax.
3011	14/4/42	1/4/42 to 31/7/42	Dried whey, skim milk and butter-milk for animal or poultry feeds.	Removal of war exchange tax and customs duty.
7353	18/8/42	31/7/42	Dried whey, etc.....	Extension of P.C. 3011 to cover imports which entered Canada but were not cleared through customs on or before July 31, 1942.
6010	1/8/44	1/8/44 to 31/12/44	Dried whey, skim milk and butter-milk for animal or poultry feeds.	Removal of war exchange tax and customs duty.
9482	21/12/44	1/1/45 to 30/4/45	Dried whey, etc.....	Extension of P.C. 6010.
6582	27/7/42	1/4/42	Sugar.....	Removal of war exchange tax, customs duty and special excise tax.
545	9/2/43	1/9/43	Sugar enumerated in Tariff Items 134, 135, 135a and 135b.	Reduction of rate of excise tax from 1½ cts. to 1c per lb.
9058 superseding 6047	6/10/42	1/5/42	Second-hand bags and bagging material reclaimed from such bags when made from fabric wholly of vegetable fibre.	Removal of war exchange tax, customs duty and special excise tax.
9759	27/10/42	15/10/42 to 30/6/46	Woven fabrics, wholly of cotton, not bleached mercerized nor coloured, when imported by manufacturers of cotton bags for use exclusively in the manufacture of cotton bags in their own factories. (Tariff Item 844).	Removal of war exchange tax, customs duty and special excise tax.
2866	12/7/46	1/7/46 to 31/3/47	Woven fabrics, wholly of cotton, when imported by manufacturers of cotton bags for use exclusively in the manufacture of cotton bags in their own factories (Tariff Item 844).	Removal of customs duty.
7021	13/8/42	1/8/42	Vegetable fibres other than cotton.	Removal of war exchange tax and special excise tax.
5015	15/6/42	1/5/42 to 31/12/42	Animal glue, powdered or sheet.	Removal of war exchange tax and customs duty on imports from Intermediate Tariff countries, and customs duty on imports from British Preferential Tariff countries.
11791	31/12/42	1/1/43 to 30/6/43	Glue, powdered or sheet (Tariff Item 231a).	Extension of P.C. 5015.
5198	29/7/43	1/7/43 to 31/10/43	Glue, n.o.p. (ex Tariff Item 232).	Removal of war exchange tax and customs duty on imports from Intermediate Tariff countries and of customs duty on imports from British Preferential Tariff countries.
8088 ^b	19/10/43	1/11/43 to 30/11/46	Animal glue (Tariff Item 231c).	As above. The new order in council made adjustments to fit an alteration in tariff items.
4490	28/5/42	1/5/42	Tin in blocks, pigs or bars.	Removal of war exchange tax, customs duty and special excise tax.
6046 ^b	14/7/42	1/7/42 to 30/11/46	Cascara sagrada extract.	Removal of war exchange tax and customs duty on imports from Intermediate Tariff countries.
7020 ^b	13/8/42	1/8/42 to 30/11/46	Pine lumber, ponderosa and California sugar pine.	Removal of war exchange tax, customs duty and special excise tax.
9057	6/10/42	24/9/42 to 14/4/43	Beeswax.....	Removal of war exchange tax, customs duty and special excise tax.
2678 ^b	2/4/43	15/4/43 to 30/11/46	Beeswax unrefined (Tariff Item 15a).	Removal of war exchange tax, customs duty and special excise tax.
9374	13/10/42	7/10/42	Crushed oyster shell.....	Removal of war exchange tax, customs duty and special excise tax.
1035	9/2/43	2/11/42	Watch actions and movements, finished or unfinished.	Removal of war exchange tax.
10799	8/12/42	1/12/42 to 31/12/42	Oranges.....	Removal of customs duty on imports from Intermediate Tariff countries.
11139	8/12/42	1/12/42	Oranges.....	Removal of war exchange tax.

J-2—Duties and Taxes Modified or Remitted—*con.*

P.C. No.	Date Passed	Date Effective	Commodity	Effect
6083	30/7/43	1/8/43 to 31/12/43	Oranges.....	Removal of customs duty.
8337 ^c	28/10/43	15/9/43 to 13/8/46	Oranges.....	Removal of special excise tax.
5999	31/7/44	1/8/44 to 31/12/44	Oranges.....	Removal of customs duty.
5371	2/8/45	1/8/45 to 31/12/45	Oranges.....	Removal of customs duty.
3275	1/8/46	1/8/46 to 31/12/46	Oranges.....	Removal of customs duty.
11594 ^d	22/12/42	1/12/42 to 18/11/46	Second-hand rope for disintegration or conversion into usable cordage.	Removal of war exchange tax, customs duty and special excise tax.
2331	23/3/43	1/3/43	Cotton yarn for use in the manufacture of binder twine and twine for harvest binders.	Removal of war exchange tax.
11140 ^a	8/12/42	7/12/42 to 27/6/46	Coffee (green).....	Removal of the additional duty of 10 cts. per lb.
8885 ^a	18/11/43	1/11/43 to 27/6/46	Coffee extract, imitations and substitutes.	Removal of the additional duty of 10 cts. per lb.
11591	22/12/42	16/12/42	Bananas.....	Removal of war exchange tax, customs duty and special excise tax.
2324	23/3/43	1/3/43	Rice, uncleaned, unhulled or paddy.	Removal of war exchange tax and special excise tax.
2989 ^e	13/4/43	15/4/43 to 14/1/45	Rice, cleaned, except rice for the purpose of producing malt (Tariff Item 63a).	Removal of war exchange tax, customs duty and special excise tax.
3300	22/4/43	1/5/43	Ice.....	Removal of war exchange tax.
3757	6/5/43	1/5/43 to 31/6/43	Potatoes in their natural state.	Removal of war exchange tax.
4894 ^c as amended by 7078 ^c	15/6/43	22/6/43 to 13/8/46	Potatoes, onions, green beans, cabbage, carrots, celery, lettuce, green peas, spinach, tomatoes, pineapple, etc., grapefruit, and lemons.	Removal of war exchange tax and special excise tax.
4175	14/6/45	15/6/45 to 30/6/45	Potatoes in their natural state (Not including yams or sweet potatoes).	Removal of customs duty on imports from Intermediate Tariff countries.
1396 ^c	4/3/44	1/3/44 to 13/8/46	Beets, fresh, in their natural state.	Removal of war exchange tax and special excise tax.
9796	24/12/43	1/1/44 to 30/4/44	Onions in their natural state (not to include onions grown with tops, shallots, and onion sets).	Removal of customs duty.
1682	13/3/44	1/5/44 to 15/5/44	Onions, etc.....	Extension of P.C. 9796.
3056	27/4/44	15/5/44 to 17/6/44	Onions, etc.....	Extension of P.C. 1682.
5551	13/7/43	1/7/43	Crude petroleum imported by refineries to be refined in their own factories (Tariff Item 267c) and products of petroleum, n.o.p., .934 specific gravity (20 A.P.I.) or heavier at 60 deg. F. (ex Tariff Item 269), both when imported into B.C. ports in bulk by tank vessels.	Removal of war exchange tax.
6011	1/8/44	1/1/44 to 31/12/44	Products of petroleum, n.o.p., .934 specific gravity (20 A.P.I.) or heavier at 60 deg. F. (ex Tariff Item 269b) when imported into B.C. ports in bulk in tank vessels.	Removal of customs duty.
1681	13/3/44	20/3/44	Raw cotton and cotton linters ex Tariff Item 520. Rovings, yarns, warps and woven fabrics specified in Tariff Items 522, 522a, 523, 523a, 523b.	Removal of war exchange tax.
2509	6/4/44	1/4/44	Palm kernels (Tariff Item 114a).	Removal of war exchange tax, customs duty and special excise tax.

J-2—Duties and Taxes Modified or Remitted—*con.*

P.C. No.	Date Passed	Date Effective	Commodity	Effect
6651 superseding 4936	22/8/44 26/6/44	1/4/44	Materials and components for use in the manufacture of agricultural implements, as specified in Tariff Items 386(c), 408, 442, 442c, 458 and 502c; engine boilers and complete parts ex 428c; hub blocks, felloes, spikes, etc. as described; articles entering into the cost of manufacturing goods specified in Tariff Items 409h, 409i, 409l and 409m.	Removal of war exchange tax.
5104	3/7/44	15/6/44	Waste, wholly of cotton imported by manufacturers for use in the manufacture of yarn in their own factories (ex Tariff Items 520 and 520b).	Removal of war exchange tax.
5105 ^a	3/7/44	10/7/44 to 13/8/46	Fresh apricots, cherries, peaches, pears, plums or prunes, apples, grapes, cantaloupes and muskmelons, melons, n.o.p.	Removal of war exchange tax and special excise tax.
8822	21/11/44	1/11/44 to 30/6/45	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibre or filaments for use in manufacture of clothing. (Tariff Item 561b).	Removal of war exchange tax and reduction of customs duty on imports from Intermediate Tariff countries.
3845	29/5/45	1/7/45 to 31/12/45	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibre or filaments for use in manufacture of clothing. (Tariff Item 561b).	Extension of P.C. 8822.
7017	20/11/45	1/1/46 to 31/3/46	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibre or filaments for use in the manufacture of clothing. (Tariff Item 561b).	Reduction of customs duty on imports from Intermediate Tariff countries.
804	7/3/46	1/4/46 to 30/6/46	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibres or filaments for use in the manufacture of clothing. (Tariff Item 561b).	Extension of P.C. 7017.
2076	23/5/46	1/7/46 to 31/12/46	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibres or filaments for use in the manufacture of clothing. (Tariff Item 561b).	Extension of P.C. 804.
5104	12/12/46	1/1/47 to 30/6/47	Woven fabrics of cotton and not more than 50% by weight of synthetic textile fibres or filaments for use in the manufacture of clothing. (Tariff Item 561b).	Extension of P.C. 2076.
8972	28/11/44	1/10/44	Bristles.	Removal of war exchange tax.
9272 ^b	15/12/44	1/10/44 to 30/11/46	Riboflavin for livestock and poultry feeds.	Removal of customs duty, war exchange tax and special excise tax.
9135	15/12/44	1/11/44	Rubber or gutta percha waste or junk ex Tariff Item 616 (ii).	Removal of war exchange tax.
3037	26/4/45	1/4/45 to 31/3/46	Staves and heading of wood, finished or unfinished, for use in the manufacture of tight barrels or kegs.	Removal of war exchange tax, customs duty and special excise tax.
805	7/3/46	1/4/46 to 31/12/46	Staves and heading of wood, finished or unfinished, for use in the manufacture of tight barrels or kegs. (Tariff Item 506c).	Removal of customs duty.

J-2—Duties and Taxes Modified or Remitted—*con.*

P.C. No.	Date Passed	Date Effective	Commodity	Effect
4985	3/12/46	1/1/47 to 31/12/47	Staves and heading of wood, finished or unfinished, for use in the manufacture of tight barrels or kegs. (Tariff Item 506c).	Extension of P.C. 805.
803	7/3/46	1/1/46 to 31/12/46	Wood hoops for use in the manufacture of slack barrels (Tariff Item 506d).	Removal of customs duty on imports from British Preferential and Intermediate Tariff countries.
4982	3/12/46	1/1/47 to 31/12/47	Woods hoops for use in the manufacture of slack barrels (Tariff Item 506d).	Extension of P.C. 803.
3980	5/6/45	1/5/45	Peanuts, green, in the shell or not further processed than shelled for use in the production of oil and oil cake or oil cake meal, (ex Tariff Item 109a).	Removal of war exchange tax and special excise tax.
4612	28/6/45	1/7/45 to 31/12/45	Herring, fresh (Tariff Item 115a).	Removal of war exchange tax and customs duty.
6224	25/9/45	1/9/45	Rosin sizing (Tariff Item 39e). Gum and gum resins not edible, in a crude state, etc. (ex Tariff Item 204); resin or rosin (ex Tariff Item 584).	Removal of war exchange tax.
1789	7/5/46	1/5/46 to 31/12/46	Combed wool.....	Removal of customs duty on imports from Intermediate Tariff countries.
2481	18/6/46	1/6/46 to 31/12/46	Combed wool.....	Removal of customs duty.
61	7/1/47	1/1/47 to 30/6/47	Combed wool.....	Removal of customs duty on imports from Intermediate Tariff countries.
2850	9/7/46	1/7/46 to 31/12/46	Wool, in the grease when imported by papermaker felt manufacturers for use exclusively in the manufacture of papermakers' felt in their own factories (Tariff Item 852).	Removal of customs duty.
4376	22/10/46	1/9/46 to 31/3/47	Wool, in the grease, not including wool of the sheep of the type commonly known as karakul when imported by carpet manufacturers for use exclusively in the manufacture of carpets in their own factories (Tariff Item 853).	Removal of customs duty.
2238	3/6/46	15/5/46 to 31/12/46	Electrolytic tin plate for use in Canadian manufactures (Tariff Item 383(h)).	Reduction of customs duty on imports from Intermediate Tariff countries.
121	14/1/47	1/1/47	One-quarter pound electrolytic tin plate for use in Canadian manufactures (Tariff Item 383(h)).	Reduction of customs duty on imports from Intermediate Tariff countries.
3666	29/8/46	1/10/46 to 31/3/47	Imports of towelling glass cloth, etc. under Tariff Items 540(c) and 540(d).	Removal of customs duty on imports from British Preferential Tariff countries. (Extension of provision in effect since 1/3/43 under various orders in council).

- (a) Cancelled by PC 3442, 14/8/46 since the additional duty referred to was eliminated by An Act to Amend the Customs Tariff, assented to 31st August, 1946. (10 George VI, Chap. 45, section 2), effective 28/6/46.
- (b) Revoked by PC 4829, 21/11/46, effective 1/12/46, but customs duty provisions as shown were reinstated by PC 4828, 21/11/46, for the period 1/12/46 to 31/12/47.
- (c) Revoked by PC 3442, 14/8/46.
- (d) Revoked by PC 4794, 19/11/46.
- (e) Superseded by PC 9599, 3/1/45.

NOTE: The War Exchange Tax was rescinded, effective 13/10/45, by An Act to Amend the Special War Revenue Act, assented to 18th December, 1945, (9-10 George VI, chapter 30, section 5).

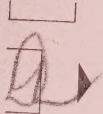
INDEX NUMBERS OF COST OF LIVING IN CANADA DURING THE LAST YEAR OF HOSTILITIES AND INTO THE AFTERMATH OF TWO WORLD WARS

	TOTAL		FOOD		RENT		CLOTHING		FUEL AND LIGHTING		MISCELLANEOUS	
	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100
	1918	1945	1918	1945	1918	1945	1918	1945	1918	1945	1918	1945
January.....	138.9	117.7	165.1	131.1	105.1	107.9	158.4	121.7	118.3	110.2	122.0	110.5
February.....	140.1	117.7	168.5	131.5	105.1	107.9	161.4	121.6	118.4	108.5	123.0	110.5
March.....	141.5	117.8	168.2	131.9	106.1	107.9	163.4	121.6	119.6	108.4	124.0	110.5
April.....	142.1	117.8	167.7	131.9	106.1	107.9	165.3	121.7	119.5	107.8	126.0	110.8
May.....	144.0	118.1	168.5	132.6	110.3	108.0	167.4	121.9	119.6	107.7	128.0	110.8
June.....	145.9	118.7	170.4	134.3	112.3	108.0	169.3	122.0	120.2	107.6	130.0	110.8
July.....	147.7	119.3	173.5	136.6	113.3	108.0	171.3	122.1	122.0	107.6	131.0	111.0
August.....	151.4	119.5	179.9	137.2	115.4	108.0	175.3	122.0	125.4	107.6	132.0	111.0
September.....	151.1	118.9	178.2	135.1	113.3	108.0	177.2	122.1	127.2	107.8	133.0	111.0
October.....	152.9	118.8	181.0	134.2	114.4	108.2	181.2	122.4	131.1	107.7	136.1	111.1
November.....	153.8	118.9	181.0	134.9	114.4	108.2	181.2	122.4	131.1	107.7	136.1	111.1
December.....	155.0	119.1	182.1	135.2	114.4	108.2	183.1	122.4	133.4	108.2	137.1	111.1
	1919	1946	1919	1946	1919	1946	1919	1946	1919	1946	1919	1946
January.....	156.5	118.9	184.7	133.7	114.4	108.2	185.2	122.5	135.1	108.2	138.1	112.0
February.....	155.3	118.9	180.0	133.4	114.4	108.2	187.2	122.6	133.1	108.2	139.1	112.2
March.....	154.2	119.1	174.9	134.0	115.4	108.2	189.1	123.0	131.8	108.3	140.1	112.3
April.....	156.1	119.8	178.9	136.1	115.4	108.2	191.1	123.1	131.5	108.3	141.1	112.4
May.....	158.3	121.0	181.7	138.7	119.6	108.5	193.1	123.6	131.0	108.3	142.1	113.1
June.....	160.1	122.6	183.6	143.1	122.6	108.5	195.1	124.2	131.8	108.3	143.0	113.6
July.....	161.1	124.1	184.0	145.2	123.6	108.5	198.1	125.3	131.6	108.3	144.1	115.5
August.....	165.1	124.6	192.9	145.7	124.7	108.5	200.0	127.5	135.9	108.3	145.0	116.1
September.....	165.3	124.5	190.9	144.2	125.7	108.5	202.0	129.5	136.4	108.3	146.0	116.6
October.....	165.6	125.8	189.9	147.5	125.7	109.2	204.0	130.1	135.8	108.4	148.0	116.7
November.....	166.3	126.1	189.7	147.6	125.7	109.2	206.0	131.0	138.9	109.7	149.9	116.9
December.....	168.3	126.1	193.8	147.4	125.7	109.2	207.9	131.1	139.4	110.3	150.0	117.0
	1920	1947	1920	1947	1920	1947	1920	1947	1920	1947	1920	1947
January.....	174.0	203.1	207.1	207.1	125.7	127.7	217.8	142.5	142.5	143.3	153.0	153.0
February.....	177.2	207.1	207.1	207.1	127.7	127.7	227.9	144.3	144.3	144.3	153.0	153.0
March.....	181.3	214.1	214.1	214.1	128.8	128.8	237.7	146.1	146.1	146.1	155.0	155.0
April.....	183.6	212.4	212.4	212.4	134.0	134.0	247.6	149.3	149.3	149.3	155.0	155.0
May.....	188.5	221.4	221.4	221.4	141.2	141.2	250.5	150.5	150.5	150.5	155.0	155.0
June.....	190.8	226.9	226.9	226.9	141.2	141.2	250.5	150.5	150.5	150.5	155.0	155.0
July.....	191.6	224.7	224.7	224.7	142.0	142.0	248.7	160.5	160.5	160.5	160.1	160.1
August.....	189.7	219.2	219.2	219.2	142.0	142.0	247.6	161.1	161.1	161.1	160.1	160.1
September.....	187.9	213.2	213.2	213.2	144.2	144.2	243.7	171.7	171.7	171.7	160.1	160.1
October.....	187.5	212.0	212.0	212.0	145.2	145.2	239.7	177.8	177.8	177.8	160.1	160.1
November.....	184.9	204.7	204.7	204.7	146.3	146.3	235.7	183.4	183.4	183.4	160.1	160.1
December.....	181.9	198.3	198.3	198.3	146.3	146.3	231.8	180.4	180.4	180.4	160.1	160.1

APPENDIX L

INDEX NUMBERS OF WHOLESALE PRICES DURING THE LAST YEAR OF
HOSTILITIES AND INTO THE AFTERMATH OF TWO WORLD WARS

	ALL COMMODITIES		FULLY OR CHIEFLY MANUFACTURED GOODS		CANADIAN FARM PRODUCTS	
	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100	War I July '14 =100	War II Aug. '39 =100
	1918	1945	1918	1945	1918	1945
January.....	190.5	142.3	192.3	129.2	197.7	187.5
February.....	190.8	142.5	192.9	129.2	198.8	187.8
March.....	193.2	142.6	197.3	129.1	192.5	188.5
April.....	193.8	142.9	199.2	129.8	188.6	189.0
May.....	193.5	143.3	197.9	129.5	187.8	187.8
June.....	194.9	143.8	198.1	129.3	187.1	189.9
July.....	198.3	144.7	199.7	129.5	191.1	193.3
August.....	201.6	143.8	204.9	129.5	193.1	186.8
September.....	203.7	142.9	207.1	129.5	195.9	182.5
October.....	205.7	143.3	209.1	129.6	195.3	186.1
November.....	206.2	143.7	208.7	129.9	202.1	187.2
December.....	204.3	143.7	208.7	129.9	201.3	187.3
	1919	1946	1919	1946	1919	1946
January.....	204.8	144.7	209.5	131.3	202.5	187.7
February.....	199.5	145.5	205.7	131.4	196.5	188.9
March.....	199.1	146.1	204.9	132.1	196.0	188.9
April.....	196.9	149.7	201.1	135.7	203.5	189.6
May.....	200.2	150.2	201.7	135.7	208.2	190.9
June.....	200.5	150.9	203.6	135.7	210.0	193.0
July.....	201.6	151.5	206.8	136.1	206.0	194.9
August.....	205.7	151.0	209.9	137.1	216.3	190.2
September.....	212.4	150.9	214.5	137.3	227.0	189.2
October.....	212.7	153.3	213.2	139.4	228.0	193.2
November.....	216.1	154.1	213.7	139.4	234.3	192.5
December.....	222.0	154.6	216.9	139.9	239.4	194.3
	1920	1947	1920	1947	1920	1947
January.....	232.0	.....	231.4	.....	246.5	.....
February.....	237.4	.....	233.6	.....	248.2	.....
March.....	239.9	.....	237.7	.....	246.5	.....
April.....	249.5	.....	247.3	.....	250.7	.....
May.....	255.1	.....	254.7	.....	257.8	.....
June.....	253.6	.....	258.2	.....	253.5	.....
July.....	254.8	.....	266.6	.....	247.5	.....
August.....	248.8	.....	264.0	.....	234.3	.....
September.....	244.1	260.3	231.5
October.....	234.9	252.7	215.7
November.....	223.1	234.4	204.3
December.....	216.0	221.1	197.7



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